

NEW ISSUES—BOOK-ENTRY ONLY

2003 Series B-1 Bonds and 2003 Series B-2 Bonds. In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2003 Series B-1 Bond or 2003 Series B-2 Bond for any period during which such 2003 Series B-1 Bond or 2003 Series B-2 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds or a “related person,” and (ii) interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

2003 Series C Bonds. In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2003 Series C Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2003 Series C Bond for any period during which such 2003 Series C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2003 Series C Bonds or a “related person,” and (ii) interest on the 2003 Series C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

2003 Series D Bonds. In the opinion of Bond Counsel, interest on the 2003 Series D Bonds is included in gross income for federal income tax purposes pursuant to the Code.

2003 Bonds. In the opinion of Bond Counsel, under existing statutes, interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “TAX MATTERS.”

\$111,700,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Housing Revenue Bonds,
\$ 9,525,000 2003 Series B-1 (AMT)
\$33,175,000 2003 Series B-2 (AMT)
\$ 4,900,000 2003 Series C (Non-AMT)
\$64,100,000 2003 Series D (Federally Taxable)

Dated: Date of delivery

Due: May 1, August 1 or November 1, as shown on the inside cover page

Interest on the Multi-Family Housing Revenue Bonds, 2003 Series B-1 (the “2003 Series B-1 Bonds”), interest on the Multi-Family Housing Revenue Bonds, 2003 Series B-2 (the “2003 Series B-2 Bonds, collectively with the 2003 Series B-1 Bonds, the “2003 Series B Bonds”) and interest on the Multi-Family Housing Revenue Bonds, 2003 Series C (the “2003 Series C Bonds”) of the New York City Housing Development Corporation (the “Corporation”) is payable semiannually on May 1 and November 1, commencing November 1, 2003, at the fixed rates set forth on the inside cover page. The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. See “DESCRIPTION OF THE 2003 BONDS—General—2003 Series B-1 Bonds,” “— 2003 Series B-2 Bonds” and “— 2003 Series C Bonds.”

Interest on the Corporation’s Multi-Family Housing Revenue Bonds, 2003 Series D (the “2003 Series D Bonds”) is payable quarterly on February 1, May 1, August 1 and November 1, commencing November 1, 2003. The 2003 Series D Bonds are being issued as variable rate obligations which will bear interest from their dated date to and including October 31, 2003 at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2003 Series D Bonds. Thereafter, the 2003 Series D Bonds will bear interest at a variable rate and will be subject to a maximum rate, all as described herein. THERE IS NO RIGHT TO TENDER THE 2003 SERIES D BONDS ON THE PART OF THE HOLDERS THEREOF AND THERE IS NO OBLIGATION TO PURCHASE THE 2003 SERIES D BONDS ON THE PART OF THE CORPORATION, THE UNDERWRITER, THE PLACEMENT AGENT, THE TRUSTEE OR ANY OTHER PERSON. The 2003 Series D Bonds will be issued as fully registered bonds in denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000. See “DESCRIPTION OF THE 2003 BONDS—General—2003 Series D Bonds.”

The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds (collectively, the “2003 Bonds”) will be issued in book-entry form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on and principal of the 2003 Bonds will be payable by the Trustee to Cede & Co., as nominee of DTC, which will, in turn, remit such principal and interest to DTC Direct Participants for subsequent disbursement to the Beneficial Owners. See “DESCRIPTION OF THE 2003 BONDS—Book-Entry Only System.” Purchasers of the 2003 Bonds will not receive physical delivery of bond certificates. The 2003 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein. The Bank of New York, located in New York, New York, is the Trustee with respect to the 2003 Bonds.

The 2003 Series B Bonds are being issued to finance construction and permanent Mortgage Loans for certain newly constructed or substantially rehabilitated Developments. The 2003 Series C Bonds are being issued to retire certain of the Corporation’s outstanding bonds, issued under a separate bond resolution of the Corporation, and to thereby acquire the related Mortgage Loan for a certain Development. The 2003 Series D Bonds are being issued to finance the acquisition by the Corporation of (i) a participation interest in permanent Mortgage Loans for certain Developments and (ii) a participation interest in a portion of the cash flow derived from a trust certificate evidencing a beneficial ownership interest in permanent Mortgage Loans for certain Developments, all as more fully described herein. Payment of the principal or redemption price of and interest on the 2003 Bonds will be secured by the Revenues and assets pledged to such payment, including, without limitation, certain payments to be made under or with respect to certain mortgage loans, and monies and/or cash equivalents held under the Debt Service Reserve Account. The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds are being issued on a parity with and shall be entitled to the same benefit and security as other Bonds issued and to be issued under the General Resolution (other than Subordinate Bonds).

The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds are subject to redemption prior to maturity as set forth herein.

The 2003 Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2003 Bonds are not a debt of the State of New York or The City of New York, and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 2003 Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds maturing on May 1, 2010 and November 1, 2010, and the 2003 Series C Bonds (other than the 2003 Series C Bonds maturing on November 1, 2016) are offered when, as and if issued and received by the Underwriter thereof subject to prior sale, to withdrawal or modification of the offer without notice, and to the unqualified approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel. The 2003 Series B-2 Bonds (other than the 2003 Series B-2 Bonds maturing on May 1, 2010 and November 1, 2010), the 2003 Series C Bonds maturing on November 1, 2016 and the 2003 Series D Bonds are being purchased by institutional investors (and are not reoffered to the public hereby) subject to the unqualified approval of legality by Bond Counsel. Certain legal matters related to the 2003 Bonds will be passed upon for the Corporation by its Deputy General Counsel. Certain legal matters related to the 2003 Bonds will be passed upon for the Underwriter and the Placement Agent by their Counsel, Swidler Berlin Shereff Friedman, LLP, New York, New York. Certain legal matters related to the 2003 Series D Bonds for The City of New York will be passed upon by its Corporation Counsel. Certain legal matters related to the 2003 Facilitation Trust, as defined herein, will be passed upon by its Counsel, Morris, James, Hitchens & Williams LLP, Wilmington, Delaware, and Kirkpatrick & Lockhart LLP, New York, New York. It is expected that the 2003 Bonds will be available for delivery in New York, New York on or about July 16, 2003.

BEAR, STEARNS & CO. INC.

Dated: June 26, 2003

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

\$9,525,000 2003 Series B-1 Bonds

\$9,525,000 2.30% 2003 Series B-1 Serial Bonds due May 1, 2007—Price 100%

\$33,175,000 2003 Series B-2 Bonds

\$6,745,000 2003 Series B-2 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
May 1, 2006	\$375,000	NRO	NRO	May 1, 2010	\$ 420,000	3.25%	100%
Nov. 1, 2006	385,000	NRO	NRO	Nov. 1, 2010	425,000	3.25	100
May 1, 2007	390,000	NRO	NRO	May 1, 2011	435,000	NRO	NRO
Nov. 1, 2007	390,000	NRO	NRO	Nov. 1, 2011	440,000	NRO	NRO
May 1, 2008	400,000	NRO	NRO	May 1, 2012	450,000	NRO	NRO
Nov. 1, 2008	405,000	NRO	NRO	Nov. 1, 2012	460,000	NRO	NRO
May 1, 2009	405,000	NRO	NRO	May 1, 2013	465,000	NRO	NRO
Nov. 1, 2009	420,000	NRO	NRO	Nov. 1, 2013	480,000	NRO	NRO

\$10,900,000 2003 Series B-2 Term Bonds due November 1, 2023—Not Reoffered

\$15,530,000 2003 Series B-2 Term Bonds due November 1, 2036—Not Reoffered

\$4,900,000 2003 Series C Bonds

\$3,595,000 2003 Series C Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
Nov. 1, 2003	\$ 90,000	1.10%	100%	May 1, 2009	\$170,000	2.80%	100%
May 1, 2004	155,000	1.20	100	Nov. 1, 2009	180,000	2.80	100
Nov. 1, 2004	160,000	1.30	100	May 1, 2010	175,000	3.10	100
May 1, 2005	160,000	1.65	100	Nov. 1, 2010	185,000	3.10	100
Nov. 1, 2005	160,000	1.65	100	May 1, 2011	185,000	3.30	100
May 1, 2006	160,000	1.85	100	Nov. 1, 2011	185,000	3.30	100
Nov. 1, 2006	165,000	1.85	100	May 1, 2012	195,000	3.45	100
May 1, 2007	165,000	2.20	100	Nov. 1, 2012	190,000	3.45	100
Nov. 1, 2007	165,000	2.20	100	May 1, 2013	200,000	3.55	100
May 1, 2008	170,000	2.50	100	Nov. 1, 2013	205,000	3.55	100
Nov. 1, 2008	175,000	2.50	100				

\$1,305,000 2003 Series C Term Bonds due November 1, 2016—Not Reoffered

\$64,100,000 2003 Series D Bonds

\$64,100,000 2003 Series D Variable Rate Term Bonds due August 1, 2033—Not Reoffered

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2003 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The 2003 Series B-2 Bonds (other than the 2003 Series B-2 Bonds maturing on May 1, 2010 and November 1, 2010), the 2003 Series C Bonds maturing on November 1, 2016 and the 2003 Series D Bonds are being purchased from the New York City Housing Development Corporation by institutional investors (and are not reoffered to the public hereby). No dealer, broker, salesman or other person, including Bear, Stearns & Co. Inc., as underwriter for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds (the "Underwriter"), or Bear, Stearns & Co. Inc., as placement agent for the 2003 Series D Bonds (the "Placement Agent"), has been authorized by the New York City Housing Development Corporation, the Underwriter or the Placement Agent to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the New York City Housing Development Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or by the Placement Agent, or by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation or the other matters described herein since the date hereof.

THE 2003 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2003 BONDS (OTHER THAN THE 2003 SERIES B-2 BONDS (OTHER THAN THE 2003 SERIES B-2 BONDS MATURING ON MAY 1, 2010 AND NOVEMBER 1, 2010, THE 2003 SERIES C BONDS MATURING ON NOVEMBER 1, 2016, AND THE 2003 SERIES D BONDS WHICH ARE NOT REOFFERED HEREBY)) AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2003 BONDS (OTHER THAN THE 2003 SERIES B-2 BONDS, EXCLUDING THE 2003 SERIES B-2 BONDS MATURING ON MAY 1, 2010 AND NOVEMBER 1, 2010, THE 2003 SERIES C BONDS MATURING ON NOVEMBER 1, 2016 AND THE 2003 SERIES D BONDS WHICH ARE NOT REOFFERED HEREBY) TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER OR A YIELD HIGHER THAN THE PUBLIC OFFERING PRICE OR YIELD STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE OR YIELD MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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\$111,700,000

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Multi-Family Housing Revenue Bonds,

\$ 9,525,000 2003 Series B-1 (AMT)

\$33,175,000 2003 Series B-2 (AMT)

\$ 4,900,000 2003 Series C (Non-AMT)

\$64,100,000 2003 Series D (Federally Taxable)

This Official Statement (including the inside cover page and the appendices) provides certain information concerning the New York City Housing Development Corporation (the “Corporation”) in connection with the sale of (i) \$9,525,000 principal amount of its Multi-Family Housing Revenue Bonds, 2003 Series B-1 (the “2003 Series B-1 Bonds”), (ii) \$33,175,000 principal amount of its Multi-Family Housing Revenue Bonds, 2003 Series B-2 (the “2003 Series B-2 Bonds,” collectively with the 2003 Series B-1 Bonds, the “2003 Series B Bonds”), (iii) \$4,900,000 principal amount of its Multi-Family Housing Revenue Bonds, 2003 Series C (the “2003 Series C Bonds”) and (iv) \$64,100,000 principal amount of its Multi-Family Housing Revenue Bonds, 2003 Series D (the “2003 Series D Bonds,” collectively with the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds, the “2003 Bonds”). The 2003 Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the “Act”), and pursuant to a resolution entitled “Multi-Family Housing Revenue Bonds Bond Resolution” adopted by the Members of the Corporation on July 27, 1993, as amended from time to time (the “General Resolution”), and a supplemental resolution for the 2003 Series B-1 Bonds entitled “Thirty-Second Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series B-1” (the “2003 Series B-1 Supplemental Resolution”), a supplemental resolution for the 2003 Series B-2 Bonds entitled “Thirty-Third Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series B-2” (the “2003 Series B-2 Supplemental Resolution”), a supplemental resolution for the 2003 Series C Bonds entitled “Thirty-Fourth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series C” (the “2003 Series C Supplemental Resolution”), and a supplemental resolution for the 2003 Series D Bonds entitled “Thirty-Fifth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series D” (the “2003 Series D Supplemental Resolution,” collectively with the 2003 Series B-1 Supplemental Resolution, the 2003 Series B-2 Supplemental Resolution and the 2003 Series C Supplemental Resolution, the “2003 Supplemental Resolutions”), each adopted by the Members of the Corporation on June 3, 2003. The General Resolution and the 2003 Supplemental Resolutions are referred to herein, collectively, as the “Resolutions.” Pursuant to the General Resolution (except as otherwise expressly provided therein or in a Supplemental Resolution authorizing a series of bonds), all bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein. All bonds issued or to be issued under the General Resolution, including the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, are herein referred to as the “Bonds.” Certain defined terms used herein are set forth in “Appendix A—Definition of Certain Terms.”

Since 2002, an investigation relating to the Corporation has been made and is continuing. In addition, the Corporation recently experienced significant changes in senior management. See “THE CORPORATION—Recent Developments—Investigation” and “—Senior Management Changes.”

INTRODUCTION

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation was created by the Act for the purpose of providing and encouraging the investment of private capital in safe and sanitary dwelling accommodations in the City of New York within the financial reach of families and persons of low income, which includes families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. The Act provides that the Corporation and its corporate existence shall continue at least so long as bonds, notes or other obligations of the Corporation shall be outstanding.

The 2003 Bonds are special revenue obligations of the Corporation, and payment of the principal or redemption price of and interest on the 2003 Bonds will be secured solely by the Revenues and assets pledged to such payment including, without limitation, certain payments to be made under or with respect to the Mortgage Loans, and monies and/or Cash Equivalents held under the Debt Service Reserve Account.

The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds are, respectively, the thirty-second, the thirty-third, the thirty-fourth and the thirty-fifth Series of Bonds to be issued under the General Resolution. The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003-Series C Bonds and the 2003 Series D Bonds are being issued on a parity with and shall be entitled to the same benefit and security of the General Resolution as all other Outstanding Bonds (other than Subordinate Bonds), issued and to be issued thereunder. Currently, the Corporation has the following Series of Bonds Outstanding under the General Resolution: 1994 Series A, dated October 13, 1994 (the "1994 Series A Bonds"); 1995 Series A, dated June 1, 1995 (the "1995 Series A Bonds"); 1996 Series A, dated August 1, 1996 (the "1996 Series A Bonds"); 1997 Series A, dated June 1, 1997 (the "1997 Series A Bonds"); 1997 Series B, dated June 1, 1997 (the "1997 Series B Bonds"); 1997 Series C, dated October 15, 1997 (the "1997 Series C Bonds"); 1998 Series A, dated May 21, 1998 (the "1998 Series A Bonds"); 1998 Series B, dated September 1, 1998 (the "1998 Series B Bonds"); 1999 Series A-1, dated March 3, 1999 (the "1999 Series A-1 Bonds"); 1999 Series A-2, dated March 3, 1999 (the "1999 Series A-2 Bonds," collectively with the 1999 Series A-1 Bonds, the "1999 Series A Bonds"); 1999 Series B-1, dated August 19, 1999 (the "1999 Series B-1 Bonds"); 1999 Series B-2, dated August 19, 1999 (the "1999 Series B-2 Bonds," collectively with the 1999 Series B-1 Bonds, the "1999 Series B Bonds"); 1999 Series C, dated July 15, 1999 (the "1999 Series C Bonds"); 1999 Series D, dated July 15, 1999 (the "1999 Series D Bonds"); 1999 Series E, dated December 15, 1999 (the "1999 Series E Bonds"); 2000 Series A, dated August 15, 2000 (the "2000 Series A Bonds"); 2000 Series B, dated September 13, 2000 (the "2000 Series B Bonds"); 2001 Series A, dated April 15, 2001 (the "2001 Series A Bonds"); 2001 Series B, dated April 15, 2001 (the "2001 Series B Bonds"); 2001 Series C-1, dated November 6, 2001 (the "2001 Series C-1 Bonds"); 2001 Series C-2, dated November 6, 2001 (the "2001 Series C-2 Bonds," collectively with the 2001 Series C-1 Bonds, the "2001 Series C Bonds"); 2002 Series A, dated June 20, 2002 (the "2002 Series A Bonds"); 2002 Series B, dated June 20, 2002 (the "2002 Series B Bonds"); 2002 Series C, dated June 20, 2002 (the "2002 Series C Bonds"); 2002 Series D, dated June 20, 2002 (the "2002 Series D Bonds") issued pursuant to a Twenty-Seventh Supplemental Resolution adopted by the Members of the Corporation on May 31, 2002 (the "Twenty-Seventh Supplemental Resolution"); 2002 Series E-1, dated December 19, 2002 (the "2002 Series E-1 Bonds"); 2002 Series E-2, dated December 19, 2002 (the "2002 Series E-2 Bonds," collectively with the 2002 Series E-1 Bonds, the "2002 Series E Bonds"); 2002 Series F, dated December 19, 2002 (the "2002 Series F Bonds"); and 2003 Series A, dated March 25, 2003 (the "2003 Series A Bonds"). As of April 1, 2003, the aggregate outstanding

principal balance of Bonds Outstanding was \$958,140,000, as compared to Mortgage Loans with a recent aggregate outstanding principal balance of approximately \$1,459,136,279 as of March 31, 2003. See “THE PROGRAM—Bonds Outstanding Under the Program” and “—General.” In addition to the Mortgage Loans, other collateral is pledged as security for the Bonds including, among other things, monies and Investment Securities held under certain Accounts established pursuant to the General Resolution. See “SECURITY FOR THE BONDS—Pledge of the General Resolution” and “—Certain Investments.”

Under the General Resolution, the Corporation may issue Bonds to finance any corporate purpose for which bonds may be issued under the Act or any other applicable law hereafter enacted. The activities of the Corporation undertaken pursuant to the General Resolution are hereinafter referred to as the “Program.” Under the Program, to date, the Corporation has issued Bonds to finance Mortgage Loans for privately owned multi-family rental housing for low and moderate income tenants. Multi-family housing developments financeable by the Corporation under the Program are referred to herein individually as a “Development” or a “Project” and collectively as the “Developments” or the “Projects.” As of March 31, 2003, there were approximately 632 Mortgage Loans, with an aggregate outstanding principal balance of approximately \$1,459,136,279 relating to Developments under the Program as set forth in Exhibit E-1 — Developments and Mortgage Loans Outstanding Under the Program.” Of such 632 Mortgage Loans, approximately 452 Mortgage Loans, with an aggregate outstanding principal balance of approximately \$662,869,168, are the underlying mortgage loans with respect to the Mortgage Loans financed through the issuance of the 2002 Series D Bonds (the “2002 Series D Mortgage Loans”). In connection with the issuance of the 2002 Series D Bonds, the Corporation acquired a participation interest with respect to such mortgage loans or the cash flow therefrom; such participation interest constitutes a “Mortgage Loan” for purposes of the General Resolution (see “THE PROGRAM—General” and “—Participation Interest Relating to the 2002 Series D Mortgage Loans”).

The Mortgage Loans may, but are not required to, be secured by supplemental security including: (a) mortgage insurance provided by (i) the Federal Housing Administration (“FHA”), (ii) the State of New York Mortgage Agency (“SONYMA”), or (iii) the New York City Residential Mortgage Insurance Corporation, a subsidiary corporation of the Corporation (“REMIC”), or (b) mortgage-backed securities guaranteed by the Government National Mortgage Association (“GNMA”). The Mortgage Loans also may, but are not required to, be assisted through federal or State subsidy programs, such as the housing assistance payment program authorized by Section 8 of the United States Housing Act of 1937, as amended (“Section 8”), the interest reduction subsidies authorized by Section 236 of the National Housing Act, as amended (“Section 236”) and subsidies through the Housing Assistance Corporation (“HAC”), as well as various federal, State and local subordinate loan or grant programs such as the Participation Loan Program (“PLP”), Housing Development Grant (“HoDAG”) and General Municipal Law Article 16 (“GML Article 16”) programs, the Corporation’s New Housing Opportunities Program (“New HOP”), the Corporation’s Low-Income Affordable Marketplace Program (“LAMP”), the §421-a Negotiable Certificate Program (the “Certificate Program”), the Article 8-A Loan Program (“Article 8-A”) and certain programs of the New York State Housing Trust Fund Corporation (“HTF”; together with PLP, HoDAG, GML Article 16, New HOP, LAMP and Article 8-A, the “Subordinate Loan/Grant Programs”), and the Mitchell-Lama program, all as defined and described herein under “THE PROGRAM,” Appendix E-1 hereto and “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Programs.”

The proceeds of the 2003 Series B Bonds are expected to be used to finance certain construction and permanent Mortgage Loans (the “2003 Series B Mortgage Loans”) for proposed Developments which are to be newly constructed or substantially rehabilitated Developments (the “2003 Series B

Developments”). All of the 2003 Series B Developments are expected to receive federal low income housing tax credit proceeds. Certain of the 2003 Series B Developments are also expected to be subsidized through certain other Subordinate Loan/Grant Programs, including: (i) PLP, (ii) LAMP and (iii) the Certificate Program. The aggregate principal balance of the 2003 Series B Mortgage Loans during construction is anticipated to be \$42,700,000. The Mortgagors of the 2003 Series B Developments will each be required to make a mandatory prepayment of a portion of their respective 2003 Series B Mortgage Loans on March 1, 2007 (each a “2003 Series B Mortgage Loan Mandatory Prepayment”), which prepayments will be in an aggregate principal amount of \$9,525,000; provided, however, that each Mortgagor of such 2003 Series B Developments may make its 2003 Series B Mortgage Loan Mandatory Prepayment prior to March 1, 2007, but not earlier than September 1, 2004. Such prepayments are expected to be used to redeem prior to maturity or pay at maturity the 2003 Series B-1 Bonds, which mature on May 1, 2007, and result in permanent 2003 Series B Mortgage Loans in an anticipated aggregate amount of \$33,175,000. The 2003 Series B Mortgage Loans are not expected to be initially secured by supplemental security. See “PLAN OF FINANCING,” “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Extraordinary Redemption from Recoveries of Principal for the 2003 Series B-1 Bonds” and “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2003 Series B Bonds.”

The proceeds of the 2003 Series C Bonds, together with other available monies, are expected to be used to retire a series of the Corporation’s outstanding bonds, issued under a separate bond resolution of the Corporation (the “Prior Bonds”). In connection therewith, the Prior Bonds are expected to be retired within ninety (90) days of the issuance of the 2003 Series C Bonds. The Prior Bonds were issued to provide funds to finance a mortgage loan related to a certain multi-family housing development. Upon retirement of the Prior Bonds, the Corporation’s pledge of its interest in said mortgage loan as security for the Prior Bonds will be released and, in accordance with the Resolutions, the Corporation will pledge such interest as security for the Bonds and will constitute a “Mortgage Loan” for purposes of the General Resolution; said mortgage loan will be referred to herein as the “2003 Series C Mortgage Loan” and the related multi-family housing development will be referred to herein as the “2003 Series C Development.” The 2003 Series C Mortgage Loan is not secured by supplemental security. It is anticipated that the outstanding principal balance of the 2003 Series C Mortgage Loan will be approximately \$4,900,000 as of the date of acquisition of the 2003 Series C Mortgage Loan. See “PLAN OF FINANCING” and “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds—Development and Permanent Mortgage Loan Expected to be Financed with the Proceeds of the 2003 Series C Bonds.”

The proceeds of the 2003 Series D Bonds are expected to be used to finance the acquisition by the Corporation of (i) a 100% participation interest in approximately 314 permanent mortgage loans for multi-family housing developments (said participation interest in such mortgage loans to constitute the “2003 Series D Purchased Mortgage Loans”), all of which have been funded through PLP or Article 8-A and (ii) a 100% participation interest in a portion of the cash flow (said portion to be referred to hereinafter as the “Cash Flow”) derived from the Class B-1 Sheridan Trust II, Multifamily Mortgage Pass-Through Certificate, Series 1996-M1 (the “Class B-1 Sheridan Trust II Certificate”) that relates to the mortgage loans funded through Article 8-A and which Cash Flow was not pledged in connection with the issuance of the 2002 Series D Bonds. The Class B-1 Sheridan Trust II Certificate is currently held by the New York City Mortgage Sale Facilitation Trust 2002-2, a Delaware statutory trust (the “2002 Facilitation Trust”), and evidences a beneficial ownership interest in the Class B Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995-M1 (the “Class B Sheridan Trust Certificate”) which certificate, in turn, represents a beneficial ownership interest primarily in a pool of

certain permanent mortgage loans for multi-family housing developments, of which the cash flow from approximately 16 permanent mortgage loans constitute the Cash Flow in which a participation interest is to be purchased by the Corporation as described in clause (ii) above (said participation interest to constitute the “2003 Series D Trust Mortgage Loans,” collectively with the 2003 Series D Purchased Mortgage Loans, the “2003 Series D Mortgage Loans”). The 2003 Series D Trust Mortgage Loans relate to 16 underlying 2003 Series D Trust Mortgage Loans which have been funded through Article 8-A. On or prior to the date of issuance of the 2003 Series D Bonds, (i) the City (acting through HPD) will assign the underlying 2003 Series D Purchased Mortgage Loans and the Cash Flow derived from the Class B-1 Sheridan Trust II Certificate to the New York City Mortgage Sale Facilitation Trust 2003-1, a Delaware statutory trust (the “2003 Facilitation Trust”), and (ii) the 2003 Facilitation Trust will enter into a Participation Agreement with the Corporation (the “2003 Participation Agreement”) pursuant to which the aforementioned participation interests (collectively, the “2003 Participation Interest”) will be granted to the Corporation. Pursuant to the 2003 Series D Supplemental Resolution, the 2003 Participation Interest (net of certain amounts payable to the Corporation), which 2003 Participation Interest does not include certain voting rights that the Corporation may, in the future, obtain with respect to the Class B-1 Sheridan Trust II Certificate in connection with the 2002 Series D Bonds, has been pledged to secure the Bonds and will constitute a “Mortgage Loan” under the General Resolution. Such pledge will continue only so long as the 2002 Series D Bonds and the 2003 Series D Bonds are Outstanding. The 2003 Series D Supplemental Resolution provides that when no 2002 Series D Bonds and 2003 Series D Bonds are Outstanding, the 2003 Participation Interest shall be released from the lien of the General Resolution. Such release shall occur automatically and shall not require the provision of a Cash Flow Statement or a Cash Flow Certificate. The 2003 Participation Interest is being purchased by the Corporation with proceeds of the 2003 Series D Bonds in an anticipated amount of \$64,100,000, as compared to the underlying 2003 Series D Purchased Mortgage Loans with a recent aggregate outstanding principal balance of approximately \$122,419,222 and the underlying 2003 Series D Trust Mortgage Loans with an aggregate outstanding principal balance of approximately \$7,494,645 as of April 16, 2003. Payment on the Class B-1 Sheridan Trust II Certificate is subordinate to payments on certain other certificates and, accordingly, it is presently anticipated that payments on the Class B-1 Sheridan Trust II Certificate will begin to be made in March 2007; however, the Corporation can give no assurance as to when such payments will actually begin. The underlying 2003 Series D Purchased Mortgage Loans and the underlying 2003 Series D Trust Mortgage Loans will not be secured by supplemental security. See “PLAN OF FINANCING,” “SECURITY FOR THE BONDS—Mortgage Loans—2003 Series D Bonds” and “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds—Developments and Permanent Mortgage Loans Expected to be Financed with the Proceeds of the 2003 Series D Bonds.”

The ability of the Corporation to pay the principal or redemption price of and interest on the Bonds, including the 2003 Bonds, is dependent on the Revenues derived from the assets pledged to secure the Bonds, which consist of all the Mortgage Loans including the 2003 Series B Mortgage Loans, the 2003 Series C Mortgage Loan and the 2003 Series D Mortgage Loans. In cases in which Developments are beneficiaries of federal or State subsidy programs, or Subordinate Loan/Grant Programs, full and timely receipt of subsidy payments, or loan or grant proceeds, may be necessary for full payment under the Mortgage Loans made on such Developments. In instances in which supplemental security backs a Mortgage Loan, timely receipt of the proceeds of the supplemental security may be material to the Corporation’s ability to pay the principal or redemption price of and interest on the Bonds. In the case of Mortgage Loans which are not secured by additional supplemental security, a subsidy program or a Subordinate Loan/Grant Program, the Revenues derived from such Mortgage Loans are entirely dependent on each Mortgagor’s ability to make payments under its Mortgage Loan. The Mortgagor’s ability to make payments required under its Mortgage Loan is and will be affected by a variety of factors

including the maintenance of a sufficient level of occupancy, the level of operating expenses, sound management of a Development, the ability to achieve and maintain rents to cover payments under the Mortgage Loan, operating expenses, taxes, utility rates and maintenance costs and changes in applicable laws and governmental regulations. In addition, the continued feasibility of a Development may depend in part upon general economic conditions and other factors in the surrounding area of a Development. See “PLAN OF FINANCING—2003 Series B Mortgage Loans,” “—2003 Series C Mortgage Loan” and “—2003 Series D Mortgage Loans,” and “THE PROGRAM—FHA Mortgage Insurance” “—The Section 8 Program” and “—Certain Factors Affecting the Mortgage Loans.”

The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds are fixed rate obligations which will bear interest from their dated date at the rates per annum set forth on the inside cover page of this Official Statement. See “DESCRIPTION OF THE 2003 BONDS—General—2003 Series B-1 Bonds,” “—2003 Series B-2 Bonds” and “—2003 Series C Bonds.”

The 2003 Series D Bonds are variable rate obligations which will bear interest from their dated date to and including October 31, 2003 at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2003 Series D Bonds. Thereafter, the 2003 Series D Bonds will bear interest at a variable rate and will be subject to a maximum interest rate of fifteen percent (15%) per annum. In connection with the issuance of the 2003 Series D Bonds, the Corporation will obtain the benefits of existing interest rate caps from the New York City Transitional Finance Authority (“TFA”) that were issued in connection with the 2002 Series C Bonds and the 2002 Series D Bonds; such interest rate caps will be available on a limited basis for the 2003 Series D Bonds when the 2003 Series D Bonds are issued (see “PLAN OF FINANCING—Interest Rate Caps” and “SECURITY FOR THE BONDS—Interest Rate Caps”). THERE IS NO RIGHT TO TENDER THE 2003 SERIES D BONDS ON THE PART OF THE HOLDERS THEREOF AND THERE IS NO OBLIGATION TO PURCHASE THE 2003 SERIES D BONDS ON THE PART OF THE CORPORATION, THE UNDERWRITER, THE PLACEMENT AGENT, THE TRUSTEE OR ANY OTHER PERSON. See “DESCRIPTION OF THE 2003 BONDS—General—2003 Series D Bonds.”

The 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds are subject to redemption at the times, at the prices, upon the conditions and under the circumstances described under the caption “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds,” “—Redemption Provisions for the 2003 Series C Bonds” and “—Redemption Provisions for the 2003 Series D Bonds.”

Under the General Resolution, the Corporation is authorized to issue Bonds (which may be secured on a parity with, or be subordinate in right of payment to, the Bonds which are not Subordinate Bonds) to finance any of its corporate purposes for which bonds may be issued under the Act, or any other applicable law now or hereafter enacted, including but not limited to financing mortgage loans and/or participation interests therein. No such additional Bonds may be issued under the General Resolution unless certain conditions set forth therein are met, including confirmation of the then existing ratings on the Outstanding Bonds (other than Subordinate Bonds) by each of the Rating Agencies then rating such Bonds.

Under the General Resolution, the payment of the principal or redemption or purchase price of and interest on all such additional Bonds may, but is not required to, be secured by a letter of credit, financial guaranty or other credit or liquidity enhancement. In addition, if Mortgage Loans (including participation interests therein) are to be financed by any such additional Bonds and pledged to secure the Bonds, such Mortgage Loans need not create a first lien on such Projects

and such Mortgage Loans or the Projects financed thereby may, but are not required to, be subject to supplemental security insuring or securing against Mortgage Loan default losses. Such supplemental security, if any, may be in the form of, among other things, insurance, a letter of credit, a surety bond or an escrow deposit. In addition, such insurance or guaranty may be obtained pursuant to one or more programs of the federal government, or State or local agencies.

The General Resolution does not require that the Corporation pledge its interests in the assets financed with the proceeds of additional Bonds, or the revenues derived therefrom, to secure the Bonds. Moreover, the Corporation may withdraw Mortgage Loans and surplus revenues from the pledge and lien of the General Resolution upon the filing with the Trustee of a Cash Flow Statement as more fully described under the caption “SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates.” Such a Cash Flow Statement is not required in connection with the release of the 2002 Series D Mortgage Loans, the 2003 Series D Mortgage Loans when no 2002 Series D Bonds and 2003 Series D Bonds are Outstanding.

The 2003 Bonds are not a debt of the State or The City of New York, and neither the State nor The City of New York shall be liable thereon, nor shall the 2003 Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

Descriptions of the Corporation, the Program, the 2003 Bonds and sources of payment therefor and the Resolutions are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2003 Bonds are qualified in their entirety by reference to the Resolutions and the provisions with respect thereto included in the aforesaid documents and agreements. The Corporation has covenanted in the General Resolution to provide a copy of each annual report of the Corporation (and certain special reports, if any) and any Accountant’s Certificate relating thereto to the Trustee and to each Bond owner who shall have filed such owner’s name and address with the Corporation for such purposes. The Corporation has also committed to provide certain information on an ongoing basis to certain repositories. For a description of the Corporation’s undertaking with respect to ongoing disclosure, see “CONTINUING DISCLOSURE.” Summaries of the FHA Insurance, GNMA Mortgage-Backed Securities, SONYMA Insurance, REMIC Insurance, Section 8, Section 236, HAC, the Subordinate Loan/Grant and Mitchell-Lama Programs are qualified in their entirety by reference to any statutes, regulations or agreements mentioned in such summaries. See Appendix F hereto.

THE CORPORATION

Recent Developments

Since 2002, an investigation relating to the Corporation has been made and is continuing. Additionally, in May 2003, the Corporation experienced significant changes in senior management. Information concerning these activities is further detailed below.

Investigation

The United States Attorney for the Southern District of New York (the “U.S. Attorney”) and The City of New York Department of Investigation (“DOI”) have been jointly investigating, among other things, alleged misuse of corporate funds by certain former officers of the Corporation (the “Investigation”) since 2002. As a result of the Investigation, on March 13, 2003, Russell A. Harding,

President of the Corporation from June 1998 to February 2002, was indicted on federal felony charges for participating with others in a scheme to defraud the Corporation of hundreds of thousand of dollars. Mr. Harding has entered a plea of not guilty to the charges against him. On May 5, 2003, Luke Cusack, Senior Vice President for Administration of the Corporation from June 1998 to March 2002, pled guilty to a federal felony by participating in a scheme to defraud the Corporation of hundreds of thousands of dollars.

During the course of the Investigation, the Corporation retained a private law firm to review the controls and financial procedures in place at the Corporation, and recommend enhancements to those procedures to safeguard the Corporation's assets. As a result of the recommendations, on March 18, 2003, the Corporation adopted certain policy and procedural changes designed to assure oversight of the expenditures of the Corporation which have been implemented. In addition, the Corporation entered into a memorandum of understanding with DOI dated March 6, 2003, which was ratified by the Board on March 18, 2003, pursuant to which any allegation of corruption must be referred to DOI, concurrent with the statutory oversight by the State.

The U.S. Attorney and DOI have stated that the Investigation is continuing.

Senior Management Changes

On May 6, 2003, the Mayor of the City (the "Mayor") announced the resignations, effective immediately, of the President, the Senior Vice President and General Counsel, and the Senior Vice President and Chief Financial Officer of the Corporation, all of whom had been long-serving senior officers of the Corporation. On May 7, 2003, the Chief Information Officer of the Corporation also resigned. In addition, on May 7, 2003, William W. Traylor was appointed Acting President of the Corporation. On May 19, 2003, Randi E. Gordon was appointed Acting Chief Financial Officer of the Corporation. Joy F. Willig, Deputy General Counsel, has been serving as acting General Counsel since May 6, 2003, as provided in the Corporation's By-Laws. A search firm will be engaged shortly by the Corporation to identify permanent replacements for the President, the Chief Financial Officer and the General Counsel positions. See "Principal Officers" below.

While the Corporation can give no assurance as to the future course or the ultimate outcome of the Investigation, the Corporation does not believe that either (i) the aforementioned indictment or plea, or the results of the Investigation, or (ii) the aforementioned senior management changes will adversely affect the operations of the Corporation, or the pledge, collection or application of any monies or security provided for the payment of the Bonds (including the 2003 Bonds). See "Appendix B hereto for the financial statements of the Corporation for the fiscal year ended October 31, 2002.

Organization and Membership

The Corporation, pursuant to the Act, consists of the Commissioner of The City of New York Department of Housing Preservation and Development ("HPD") (who is designated as Chairperson of the Corporation pursuant to the Act), the Commissioner of Finance of the City and the Director of Management and Budget of the City (such officials to serve *ex-officio*), and four public members, two appointed by the Mayor and two appointed by the Governor of the State. At present, the Vice Chairperson position is vacant and is to be elected from among the four public members. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four members. The Corporation may delegate to one or more of its members, officers, agents or employees such powers and duties as it deems proper.

Members

JERILYN PERINE, Chairperson and Member ex-officio. Ms. Perine was first appointed Commissioner of HPD on September 19, 2000, and was reappointed by Mayor Michael R. Bloomberg. Prior to becoming Commissioner, Ms. Perine was HPD's First Deputy Commissioner, the Deputy Commissioner for Planning and Policy, Assistant Commissioner for Alternative Management Programs (DAMP) and the Assistant Commissioner for Homeless Housing Development. She has held a variety of positions in her 22 years of public service in New York City and has been at HPD since 1986. Ms. Perine, an urban planner, graduated from City College with a degree in political science and completed graduate work in city planning at New York University.

MARK PAGE, Member ex-officio. Mr. Page was appointed New York City Budget Director in January, 2002. Mr. Page was previously employed in the New York City Office of Management and Budget from 1978 to 2001, where he served as Deputy Director/General Counsel since 1982. Mr. Page is a graduate of Harvard University and the New York University School of Law.

MARTHA E. STARK, Member ex-officio. Ms. Stark was appointed New York City Commissioner of Finance by Mayor Michael R. Bloomberg on February 11, 2002. From 1990-1993, Ms. Stark held several senior management positions in the Department of Finance, including Acting Director of the Conciliations Bureau and Assistant Commissioner. She served as a White House Fellow in the U.S. Department of State in 1993-1994, and later became Director and Deputy Counsel for Policy and Development in the Manhattan Borough President's Office. Ms. Stark consulted on an influential Brookings Institution report on the District of Columbia's fiscal health and co-authored a study for the New York University School of Law that analyzed the high cost of building and renovating housing in New York City. Prior to her appointment, Ms. Stark was a Portfolio Manager at the Edna McConnell Clark Foundation, managing millions of dollars in youth grants. She also taught budget and finance courses at Hunter College and business law at Baruch College. Born in the Brownsville section of Brooklyn, Ms. Stark attended Brooklyn Technical High School, earned an AAS from New York City Community College, a BA from New York University, where she captained the varsity basketball team, and a law degree from NYU.

HARRY E. GOULD, JR., Member, term expires December 31, 2003. Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation, the largest privately owned independent distributor of printing paper in the United States. He was Chairman and President of Cinema Group, Inc., a major independent film financing and production company, from 1982 to May 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. He is a Life Member of the Executive Branch of the Academy of Motion Picture Arts and Sciences. He is a member of the Board of Directors of Domtar, Inc., a \$CDN 6 billion corporation, which is the largest Canadian manufacturer of packaging and fine paper, and the second largest producer of uncoated freesheet in North America and the third largest in the world. He is a member of the Board of Directors of the USO of Metropolitan New York. He is also a member of the Board of Trustees of the American Management Association. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was Vice Chairman of the President's Export Council, was a member of the Executive Committee and was Chairman of the Export Expansion Subcommittee from 1977 to 1980. He was a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee from 1977 to 1999. He was a member of the Board of United Cerebral Palsy Research and Educational Foundation, and the National Multiple

Sclerosis Society of New York from 1972 to 1999. He was a Trustee of the Riverdale Country School from 1990 to 1999.

CHARLES G. MOERDLER, Member, serving pursuant to law. Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to 1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of Elections in 1974, Member of the New York City Air Pollution Control Board from 1966 to 1967 and Special Counsel to the New York State Assembly, Committee on Judiciary in 1961 and Committee on The City of New York in 1960. Mr. Moerdler also serves as a Trustee of St. Barnabas Hospital and served on the Board of Overseers of the Jewish Theological Seminary of America. He served as a Trustee of Long Island University from 1985 to 1991 and on the Advisory Board of the School of International Affairs, Columbia University from 1976 to 1979. Mr. Moerdler is a graduate of Long Island University and Fordham Law School, where he was an Associate Editor of the Fordham Law Review.

MICHAEL W. KELLY, Member, serving pursuant to law. Mr. Kelly is the managing partner of the Flying Point Group LLC which is a structured financial products and asset management company. Prior to that, Mr. Kelly was Managing Director of Ambac Capital Corporation and oversaw all of the non-insurance businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.

PETER J. MADONIA, Member, term expires December 31, 2005. Mr. Madonia was appointed Chief of Staff to Mayor Michael R. Bloomberg on January 1, 2002. Prior to his appointment as the Mayor's Chief of Staff, Mr. Madonia served as First Deputy Commissioner of the New York City Fire Department, Deputy Commissioner for Budget and Operations at the New York City Department of Buildings, and Executive Assistant to the New York City Deputy Mayor for Operations. Mr. Madonia received a Bachelor of Arts degree from Fordham University, where he taught as an Adjunct Professor for Urban Studies, and a Master's degree in Urban Studies from the University of Chicago.

Principal Officers

JERILYN PERINE, Chairperson.

[VACANT], Vice Chairperson.

WILLIAM W. TRAYLOR, Acting President. Mr. Traylor was appointed Acting President of the Corporation on May 7, 2003. Prior to such appointment, Mr. Traylor held the position of Senior Vice President for Public Finance. Prior to joining the Corporation in March 2003, Mr. Traylor was the President of the Richman Group of New York, LLC, where he managed The Richman Group's New York office as well as assisted in marketing and investment program development, and oversaw its structured finance initiatives. Prior to joining The Richman Group in January 2001, Mr. Traylor was the Managing Director of the Local Initiatives Support Corporation's New York office. In that position, he oversaw an \$835 million New York Equity Fund as well as the lending and grant making activities in the New York office. From 1989 to 1994, Mr. Traylor held various positions within HPD; prior to 1989, Mr. Traylor worked for several non-profit housing developers in New York City. Mr. Traylor received his bachelor's degree from Stonehill College and his master's degree from the University of Notre Dame.

LISA GOMEZ, Senior Vice President for Development. Ms. Gomez was appointed Senior Vice President for Development of the Corporation on August 1, 2002. She has over a decade of comprehensive real estate and finance experience in residential and commercial real estate, and economic development. Prior to joining the Corporation, Ms. Gomez served as a Vice President for JP Morgan Chase Bank, where she was responsible for structuring, underwriting, closing and syndicating financial transactions relating to community development. Ms. Gomez has also held various positions with the New York City Economic Development Corporation, Seedco (a non-profit organization) and Silverstein Properties. Currently, she is a member of the Urban Land Institute and serves on several boards, including the Habitat for Humanity Real Estate Committee. She is a graduate of Louisiana State University and has completed the Chase Manhattan Bank Credit Training Program.

RANDI E. GORDON, Acting Chief Financial Officer. Ms. Gordon was appointed Acting Chief Financial Officer of the Corporation on May 19, 2003. Previously, Ms. Gordon had served as Senior Vice President for Administration of the Corporation. Prior to joining the Corporation in May 2002, Ms. Gordon was a Vice President at Dime Savings Bank of New York, where she financed and structured commercial real estate and community development transactions. Previously, she also served as Deputy Commissioner of Real Estate at the New York City Department of General Services and Manager of Asset Dispositions at Integrated Resources, Inc. In 1990, Ms. Gordon was an Assistant Professor of Finance and Business Law at the City University of New York. During the period of her legal career, she also worked as a real estate associate at Weil, Gotshal & Manges, an associate at Hess Segall (now Loeb & Loeb) and a Deputy County Attorney at the Nassau County Attorneys Office. Ms. Gordon received her BA from the State University of New York at Albany, her J.D. from Tulane University School of Law and her MBA from New York University Graduate School of Business Administration.

JOY F. WILLIG, Deputy General Counsel and Secretary. Ms. Willig, an attorney and member of the New York Bar, joined the Corporation in August 1998, and was appointed as Deputy General Counsel and Assistant Secretary in September 1998. She was designated to serve as Secretary in May 2000. Prior to joining the Corporation, she was Associate Counsel at the New York State Housing Finance Agency, was associated with a law firm in New York City and clerked in the United States District Court, Southern District of New York. Ms. Willig received a Bachelor of Science from Cornell University and her J.D. from Cardozo School of Law.

Purposes and Powers of the Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in the City of New York for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans and unsecured loans to specified private entities; to purchase loans and participation interests in loans from lending institutions and other entities; to make loans insured or co-insured by the federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the Bonds, notes, or other obligations are outstanding.

The sale of the 2003 Bonds and the terms of such sale are subject to the approval of the Comptroller of the City. The Corporation is a “covered organization” as such term is defined in the New York State Financial Emergency Act for The City of New York, as amended, and the issuance of the 2003 Bonds is subject to the review of the New York State Financial Control Board for The City of New York.

The Corporation’s audited financial statements for the fiscal year ended October 31, 2002, including as Schedule 1 supplemental information related to the Program, are contained in Appendix B hereto. In addition, a summary of assets and revenues related to the Program are described, in part, under “THE PROGRAM—Summary of Program Assets and Revenues.” For a description of the other activities of the Corporation, see “Appendix C—Other Activities of the Corporation.”

PLAN OF FINANCING

General

Upon the issuance of the 2003 Series B Bonds, all of the proceeds of such 2003 Series B Bonds will be initially deposited in the Bond Proceeds Account. Such proceeds are expected to be used by the Corporation to make construction 2003 Series B Mortgage Loans for the applicable 2003 Series B Developments, which loans, upon satisfaction of certain conditions, are expected to be converted to permanent 2003 Series B Mortgage Loans. The aggregate principal balance of the 2003 Series B Mortgage Loans during construction is anticipated to be \$42,700,000 and the aggregate principal balance of the permanent 2003 Series B Mortgage Loans is anticipated to be \$33,175,000 (see “2003 Series B Mortgage Loans” below).

Upon the issuance of the 2003 Series C Bonds, all of the proceeds of such 2003 Series C Bonds will be initially deposited in the Bond Proceeds Account. Within ninety (90) days of the issuance of the

2003 Series C Bonds, all of the proceeds of such 2003 Series C Bonds, together with other available monies, will be used to retire the Prior Bonds thereby permitting the Corporation to acquire and to pledge its interest in the 2003 Series C Mortgage Loan to the Trustee for the benefit of the holders of the Bonds at such time. It is anticipated that the outstanding principal balance of the 2003 Series C Mortgage Loan will be approximately \$4,900,000 as of the date of acquisition of the 2003 Series C Mortgage Loan Bonds (see “2003 Series C Mortgage Loan” below).

Upon the issuance of the 2003 Series D Bonds, all of the proceeds of such 2003 Series D Bonds will be initially deposited in the Bond Proceeds Account. Such proceeds in the Bond Proceeds Account will be used by the Corporation to provide the funds required to acquire the 2003 Participation Interest from the 2003 Facilitation Trust (see “2003 Series D Mortgage Loans” below). It is presently anticipated that payments on the Class B-1 Sheridan Trust II Certificate will begin to be made in March 2007; however, the Corporation can give no assurance as to when such payments will actually begin. The 2003 Participation Interest is being purchased by the Corporation with proceeds of the 2003 Series D Bonds in an anticipated amount of \$64,100,000, as compared to the underlying 2003 Series D Purchased Mortgage Loans with a recent aggregate outstanding principal balance of \$122,419,222 and the underlying 2003 Series D Trust Mortgage Loans with an aggregate outstanding principal balance of approximately \$7,494,645 as of April 16, 2003.

Debt Service Reserve Account

The Corporation will fund the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Account Requirement for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds from other available monies.

With respect to the 2003 Series D Bonds, the Corporation will enter into a Funding Agreement with the Trustee on the date of issuance of the 2003 Series D Bonds (the “Funding Agreement”) whereby the Corporation will agree to pay Debt Service on the 2003 Series D Bonds in an amount equal to the Debt Service Reserve Account Requirement for the 2003 Series D Bonds in the event other available amounts are insufficient therefor. Said payment obligation will be a general obligation of the Corporation, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues. Pursuant to the 2003 Series D Supplemental Resolution, the Funding Agreement shall constitute a Cash Equivalent for purposes of the General Resolution.

For further information on the Debt Service Reserve Account and the Debt Service Reserve Account Requirements for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, see “SECURITY FOR THE BONDS—Debt Service Reserve Account.”

Interest Rate Caps

In connection with the issuance of the 2003 Series D Bonds, the Corporation intends to implement a plan to manage its exposure to variable interest rate risk. The Corporation entered into three agreements with TFA (the “Interest Rate Cap Agreements”) in connection with the 2002 Series C Bonds and the 2002 Series D Bonds, which are also expected to relate to the 2003 Series D Bonds, under which TFA agrees to pay interest on specified amortizing notional amounts in an amount by which Three-Month LIBOR (as defined herein under “DESCRIPTION OF THE 2003 BONDS—General—2003 Series D Bonds”) exceeds a specified interest rate (the “Strike Rate”). The Corporation will pledge the payments actually received from TFA pursuant to the Interest Rate Cap Agreements to the General Resolution for the benefit of the Bondholders. The Interest Rate Cap Agreements are already in place with respect to the

2002 Series C Bonds and the 2002 Series D Bonds (see “SECURITY FOR THE BONDS—Interest Rate Caps”).

With respect to an initial notional amount of \$49,395,000 which amortizes on a quarterly basis commencing May 1, 2004 through February 1, 2009, TFA is obligated to pay to the Corporation interest on the outstanding notional amount in an amount by which Three-Month LIBOR exceeds a Strike Rate of 7.35%.

With respect to an initial notional amount of \$149,600,000 which amortizes on a quarterly basis commencing August 1, 2009 through November 1, 2032, TFA is obligated to pay to the Corporation interest on the outstanding notional amount in an amount by which Three-Month LIBOR exceeds a Strike Rate of 7.35% for the period from the date of issuance of the 2002 Series D Bonds through November 1, 2032.

With respect to an initial notional amount of \$135,400,000 which amortizes on a quarterly basis commencing August 1, 2007 through May 1, 2027, TFA is obligated to pay to the Corporation interest on the outstanding notional amount in an amount by which Three-Month LIBOR exceeds a Strike Rate of (a) 4.85% for the period from the date of issuance of the 2002 Series D Bonds through April 30, 2007 and (b) 7.35% from May 1, 2007 through May 1, 2027.

Under each of the Interest Rate Cap Agreements, TFA is not obligated to pay interest on such notional amounts in excess of a ceiling rate of 14.85%. The aggregate of the notional amounts under the Interest Rate Cap Agreements will be less than the aggregate principal amount of the 2002 Series C Bonds, the 2002 Series D Bonds and the 2003 Series D Bonds when the 2003 Series D Bonds are issued.

TFA is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York created by Chapter 16 of the Laws of 1997, as amended. The obligation of TFA to make payments required by the Interest Rate Cap Agreements, other than termination payments, will rank on a parity with its obligations to pay debt service on its Future Tax Secured Bonds (“TFA Senior Bonds”). TFA Senior Bonds are rated “Aa2,” “AA+” and “AA+” by Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch Ratings, respectively. As of May 31, 2003, there were \$9,997,555,000 of TFA Senior Bonds outstanding.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the 2003 Series B Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds are expected to be approximately as follows:

<u>SOURCES</u>	<u>2003 Series B Bonds</u>	<u>2003 Series C Bonds</u>	<u>2003 Series D Bonds</u>
Principal Amount of Bonds.....	\$42,700,000	\$4,900,000	\$64,100,000
Other Available Monies	<u>719,851</u>	<u>95,069</u>	<u>—</u>
TOTAL SOURCES	<u>\$43,419,851</u>	<u>\$4,995,069</u>	<u>\$64,100,000</u>
 <u>USES</u>			
Deposit to Bond Proceeds Account	\$42,700,000	—	—
Retirement of Prior Bonds [†]	—	\$4,900,000	—
Acquisition of 2003 Participation Interest.....	—	—	\$62,950,202
Underwriter's Compensation.....	444,907	45,957	—
Placement Agent's Compensation	—	—	349,439
Cost of Issuance	<u>274,944</u>	<u>49,112</u>	<u>800,359</u>
TOTAL USES.....	<u>\$43,419,851</u>	<u>\$4,995,069</u>	<u>\$64,100,000</u>

[†] Retirement of the Prior Bonds will permit the Corporation to acquire the 2003 Series C Mortgage Loan.

2003 Series B Mortgage Loans

In connection with the issuance of the 2003 Series B Bonds, it is anticipated that the 2003 Series B Mortgage Loans will be funded as described below:

The proceeds of the 2003 Series B Bonds are expected to be utilized to provide funds to make five (5) 2003 Series B Mortgage Loans for five (5) 2003 Series B Developments, which are expected to contain an aggregate of 748 units. It is expected that at least seventy percent (70%) of the rental units of the 2003 Series B Developments will be leased to households whose annual income does not exceed sixty percent (60%) of the median gross income for the New York City area with adjustments made for family size and that, with respect to one (1) of the 2003 Series B Developments, Clinton Parkview Apartments, fifteen percent (15%) of such low income rental units will be leased to households whose annual income does not exceed forty percent (40%) of the median gross income for the New York City area with adjustments made for family size. Each Mortgagor of a 2003 Series B Mortgage Loan will be required to annually certify that the applicable income requirements have been met for such rental units. See "TAX EXEMPTION."

All of the 2003 Series B Developments are expected to receive federal low income housing tax credit proceeds and will be financed pursuant to LAMP, which is a program of the Corporation designed to spur the creation of affordable housing in the City of New York for low income households.

One (1) of the Mortgagors of the 2003 Series B Developments, 1501 Pitkin Avenue, is also expected to receive two (2) subordinate construction mortgage loans in an aggregate amount of approximately \$3,490,931 and two (2) subordinate permanent mortgage loans in an aggregate amount of approximately \$4,656,088, each at a nominal interest rate from HPD through PLP. In order to finance said 2003 Series B Development, final approvals from The City of New York Landmarks Preservation Commission and the New York State Office of Parks, Recreation and Historic Preservation are required. In the event implementation of conditions related to such approvals increases the cost of said 2003 Series

B Development, HPD has agreed to increase the amounts of its subordinate mortgage loans accordingly subject to the availability of City funds. However, the Corporation can give no assurance as to whether such approvals will occur and, if such approvals occur, when such approvals will be made, or whether City funds will be available or sufficient (see “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Unexpended 2003 Series B Bond Proceeds”).

One (1) of the 2003 Series B Developments, 1240 Washington Avenue, is also expected to be subsidized pursuant to LAMP. As a result, the Mortgagor of said 2003 Series B Development is expected to receive subordinate construction and permanent financing at 1% interest in an approximate aggregate amount of \$3,350,000. Under LAMP, said Mortgagor will be required to rent a certain percentage of units in its 2003 Series B Development subject to the applicable income limitations set forth in the preceding paragraph, as established by the Corporation, to formerly homeless households.

The Corporation LAMP loans and the HPD loans will be subordinate to the applicable 2003 Series B Mortgage Loans and will not be pledged as security for the 2003 Series B Bonds. The applicable Mortgagors for the 2003 Series B Developments have entered or are expected to enter into the commitments for the Corporation LAMP and HPD loans. The Corporation anticipates the making of the construction 2003 Series B Mortgage Loans simultaneously with the making of such loans.

One (1) of the Mortgagors of the 2003 Series B Developments, 1240 Washington Avenue, is also expected to receive Section 421-a Negotiable Certificates (the “Section 421-a Certificates”) under the Certificate Program upon completion of construction of its 2003 Series B Development. These Section 421-a Certificates may be utilized by their holder to obtain a partial real estate tax exemption for newly constructed market rate multifamily housing in certain areas of the Borough of Manhattan south of 96th Street. In order to receive such Section 421-a Certificates, the Mortgagor of such 2003 Series B Development is expected to enter into a written agreement with HPD pursuant to which HPD is expected to agree to issue at least five Section 421-a Certificates for each unit of low income housing contained in such 2003 Series B Development. In exchange for the issuance of the Section 421-a Certificates by HPD, such Mortgagor must agree to rent units in its 2003 Series B Development at levels approved by HPD and which are affordable to low income families. It is expected that such Mortgagor will sell the Section 421-a Certificates generated by its 2003 Series B Development to owners of market rate multi-family housing located in Manhattan south of 96th Street who want to obtain real property tax abatement benefits.

In addition, the Mortgagors of two (2) 2003 Series B Developments, Dr. Betty Shabazz Houses and Medgar Evers Houses, are expected to receive HUD grants in an amount of approximately \$4,088,875 and \$6,569,900, respectively, and the Mortgagor of one (1) 2003 Series B Development, Clinton Parkview Apartments, is expected to receive a Federal Home Loan Bank of New York grant in an amount of approximately \$720,000.

Each of the Mortgagors of the 2003 Series B Mortgage Loans has executed or is expected to execute a commitment with the Corporation (an “HDC Commitment”) in which the Corporation has agreed or will agree, as the case may be, to provide a 2003 Series B Mortgage Loan both during construction and on a permanent basis. The HDC Commitment requires or will require such Mortgagor to obtain a letter of credit, to be available during construction, from a bank acceptable to the Corporation as a condition to the Corporation providing a 2003 Series B Mortgage Loan during construction; said letter of credit need not meet the requirements under the Resolution for a Credit Facility. It is anticipated that during construction such letter of credit may be drawn upon by the Corporation if the applicable Mortgagor fails to make the required debt service payments on the 2003 Series B Mortgage Loan

including the 2003 Series B Mortgage Loan Mandatory Prepayment described below. Such letters of credit will not be pledged to the owners of the 2003 Series B Bonds; however, any payments received by the Corporation from the letter of credit providers pursuant to such letters of credit will be pledged for the benefit of the owners of the 2003 Series B Bonds. In the event of a default on a 2003 Series B Mortgage Loan during construction, upon receipt of payments equal to the outstanding principal balance of the applicable construction 2003 Series B Mortgage Loan plus the lesser of (i) accrued interest or (ii) the maximum amount available with respect to accrued interest, such 2003 Series B Mortgage Loan will be immediately assigned to the letter of credit provider and no longer be pledged for the benefit of the owners of the 2003 Series B Bonds.

Following the satisfaction of the conditions of the applicable HDC Commitment which may require, among other things, the provision by the Mortgagor of equity, the satisfactory completion of construction within a certain time schedule from the making of the applicable construction 2003 Series B Mortgage Loan and within a certain construction budget, the receipt of the applicable 2003 Series B Mortgage Loan Mandatory Prepayment, the issuance of a certificate of occupancy, the attainment of a specified minimum rental achievement level, and delivery of other required certificates and legal opinions, the Corporation will release the letter of credit relating to the applicable construction 2003 Series B Mortgage Loan. If said letter of credit is not released because of a failure by the Mortgagor of a 2003 Series B Development to comply with the conditions enumerated in the HDC Commitment or if said letter of credit is not extended beyond its maturity until such conditions are satisfied, it is expected that said letter of credit will be drawn upon by the Corporation and the proceeds from said draw could be used to redeem a portion of the Outstanding 2003 Series B Bonds (see “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal”). Until such letter of credit is released, the bank issuing the letter of credit will service or provide for the servicing of the applicable 2003 Series B Mortgage Loan. Thereafter, it is expected that the Corporation will service the applicable 2003 Series B Mortgage Loan (see “The Program—Servicing”).

Each of the 2003 Series B Developments is expected to be completed within twenty-seven (27) months of the making of the applicable construction 2003 Series B Mortgage Loan.

The Mortgagors of the three 2003 Series B Developments will each be required to make a 2003 Series B Mortgage Loan Mandatory Prepayment on March 1, 2007, provided, however, each Mortgagor of the 2003 Series B Developments may make its Mortgage Loan Mandatory Prepayment prior to March 1, 2007, but not earlier than September 1, 2004. Such prepayments are expected to be used to redeem prior to maturity or pay at maturity the 2003 Series B-1 Bonds, which mature on May 1, 2007 (see “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Extraordinary Redemption from Recoveries of Principal for the 2003 Series B-1 Bonds”; also see “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2003 Series B Bonds” for the expected amount of the 2003 Series B Mortgage Loan Mandatory Prepayment for each 2003 Series B Development). Although the source of funds for the 2003 Series B Mortgage Loan Mandatory Prepayment for each 2003 Series B Mortgage Loan is expected to come from proceeds of the sale of Section 421-a Certificates and/or from the syndication of federal low income housing tax credits with respect to each such 2003 Series B Mortgage Loan, a 2003 Series B Mortgage Loan Mandatory Prepayment is required to be made by the Mortgagor of the applicable 2003 Series B Development whether or not the Section 421-a Certificates are sold, and/or whether or not the federal low income housing tax credit syndication proceeds are obtained. If a Mortgagor does not make the required 2003 Series B Mortgage Loan Mandatory Prepayment, there would be a default under the

applicable 2003 Series B Mortgage Loan which would result in a draw of the construction letter of credit (as described above) by the Corporation in the full amount of the letter of credit which could result in the redemption of all of the applicable portion of 2003 Series B-1 Bonds and 2003 Series B-2 Bonds. However, it is also possible in the event of such default that the Corporation and the letter of credit provider would agree to amend the letter of credit to permit a partial draw in an amount equal to the applicable 2003 Series B Mortgage Loan Mandatory Prepayment; such proceeds would be applied to the payment at maturity of the applicable portion of the 2003 Series B-1 Bonds, in which case the balance of the 2003 Series B-1 Bonds, and the 2003 Series B-2 Bonds, would remain Outstanding. In such event, unless the Mortgagor of the applicable 2003 Series B Development cured such default, the letter of credit provider would have the option to acquire the applicable 2003 Series B Mortgage Loan by obligating the Corporation to make a draw on the applicable letter of credit, the proceeds of which could be used to redeem the Outstanding 2003 Series B Bonds in an amount equal to such 2003 Series B Mortgage Loan. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal.”

No assurances can be given that all of the Mortgagors of the 2003 Series B Mortgage Loans will enter into an HDC Commitment or that such construction or permanent 2003 Series B Mortgage Loans will be made or, if made, funded in the amounts presently contemplated by the Corporation (see “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Unexpended 2003 Series B Bond Proceeds” and “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2003 Series B Bonds”). Additionally, the Corporation may substitute other Developments for those described in the above-described subsection of Appendix D hereto.

Each of the 2003 Series B Mortgage Loans will be evidenced by one or more mortgage notes payable to the Corporation and secured by one or more first mortgage liens on the applicable 2003 Series B Development. The 2003 Series B Mortgage Loans are not expected to be initially secured by supplemental security such as FHA Insurance, SONYMA Insurance, mortgage insurance provided by REMIC (“REMIC Insurance”) or GNMA Securities (see “THE PROGRAM—Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures” and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to the Mortgage Loans”). However, the Corporation may, in the future, seek mortgage insurance from SONYMA or REMIC for the principal amount of certain of the 2003 Series B Mortgage Loans which, if obtained, would be effective subsequent to completion of construction and rent-up of the applicable 2003 Series B Development. The 2003 Series B Mortgage Loans are expected to contain provisions prohibiting the Mortgagor of the applicable 2003 Series B Development from making any prepayment, other than the applicable 2003 Series B Mortgage Loan Mandatory Prepayment, prior to September 1, 2013 (see “Appendix E-3 — Mortgage Loan Prepayment Provisions — Category 35”).

For additional information on the 2003 Series B Mortgage Loans and the 2003 Series B Developments, see Appendix D hereto. For a description of LAMP, PLP and the Certificate Program, see “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Programs—Low-Income Affordable Marketplace Program,” “—The Participation Loan Program” and “—The §421-a Negotiable Certificate Program.”

2003 Series C Mortgage Loan

In connection with the issuance of the 2003 Series C Bonds and the retirement of the Prior Bonds, the 2003 Series C Mortgage Loan will be financed as described below:

The 2003 Series C Mortgage Loan will be evidenced by a mortgage note to the Corporation and secured by a first mortgage lien on the 2003 Series C Development. The 2003 Series C Mortgage Loan will not be secured by supplemental security such as FHA Insurance, SONYMA Insurance, REMIC Insurance or GNMA Securities (see “THE PROGRAM—Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures” and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to the Mortgage Loans”). The 2003 Series C Development had previously received a non-interest bearing and non-amortizing subordinate loan from HAC, a subsidiary of the Corporation, at a nominal interest rate. The subordinate loan is not expected to be pledged as security for the 2003 Series C Bonds.

The 2003 Series C Development contains 151 dwelling units. The occupancy rate for such Development was 99% as of March 31, 2003. It is anticipated that the outstanding principal balance of the 2003 Series C Mortgage Loan will be approximately \$4,900,000 as of the date of acquisition of the 2003 Series C Mortgage Loan. As of March 31, 2003, there had been no defaults on the mortgage loan with respect to the 2003 Series C Development. The interest rate for the 2003 Series C Mortgage Loan is anticipated to be 4.0% and the term to maturity for such Mortgage Loan is anticipated to be 12.5 years. The 2003 Series C Mortgage Loan is expected to contain provisions prohibiting the Mortgagor of the applicable 2003 Series C Development from making any prepayment prior to September 1, 2013 (see “Appendix E-3—Mortgage Loan Prepayment Provisions—Category 36”).

The 2003 Series C Development had an age of approximately 11.6 years and the physical condition of the 2003 Series C Development was satisfactory. The physical inspection ratings are described in Appendix E-4 hereto. As of March 31, 2003, the replacement, maintenance and operating reserves of the 2003 Series C Development were generally funded at the required levels. The Corporation is servicing the 2003 Series C Mortgage Loan. See “THE PROGRAM—Servicing.”

It is expected that twenty percent (20%) of the rental units of the 2003 Series C Development have been and will continue to be leased to households whose annual income does not exceed eighty percent (80%) of the median gross income for the New York City area (see “TAX EXEMPTION”).

For additional information on the 2003 Series C Mortgage Loan and the 2003 Series C Development, see Appendix D hereto. For a description of HAC, see “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Programs—The Housing Assistance Corporation.”

2003 Series D Mortgage Loans

In connection with the issuance of the 2003 Series D Bonds, it is anticipated that funds will be used to acquire a participation interest in the 2003 Series D Mortgage Loans, all as described below.

2003 Series D Purchased Mortgage Loans*

The approximately 314 underlying 2003 Series D Purchased Mortgage Loans are evidenced by a 100% participation interest of the Corporation in mortgages and mortgage notes held by HPD and secured by mortgage liens on the applicable Developments. Approximately 20.3% of the aggregate outstanding principal balance of the underlying 2003 Series D Purchased Mortgage Loans were secured by a first mortgage lien on the applicable Development and approximately 79.7% were secured by a second or lesser priority mortgage lien on the applicable Development. The underlying 2003 Series D Purchased Mortgage Loans on these Developments (the “2003 Series D Purchased Developments”) are not secured by supplemental security such as FHA Insurance, SONYMA Insurance, REMIC Insurance or GNMA Securities (see “THE PROGRAM—Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures” and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to the Mortgage Loans”). Approximately 51.0% of the aggregate outstanding principal balance of the underlying 2003 Series D Purchased Mortgage Loans were funded solely through Article 8-A, and 49.0% were funded solely through PLP. Approximately 89.4% of the aggregate outstanding principal balance of the underlying 2003 Series D Purchased Mortgage Loans were serviced by the Corporation and 10.6% were serviced by the Community Preservation Corporation (“CPC”). The Corporation will conduct physical inspections of the 2003 Series D Purchased Developments funded solely through PLP and serviced by the Corporation every three (3) years. CPC currently conducts physical inspections of the 2003 Series D Purchased Developments serviced by CPC. For information on CPC, see “Servicer” below. The 2003 Series D Purchased Developments funded solely through Article 8-A and serviced by the Corporation have not been, and will not be, subject to physical inspections by the Corporation.

The aggregate number of dwelling units in the 2003 Series D Purchased Developments is approximately 21,766. The aggregate outstanding principal balance of the underlying 2003 Series D Purchased Mortgage Loans was approximately \$122,419,222. The weighted average interest rate for the underlying 2003 Series D Purchased Mortgage Loans was approximately 1.91% and the weighted average remaining time to maturity for such Mortgage Loans was approximately 18.2 years. Approximately 70.8% of the underlying 2003 Series D Purchased Mortgage Loans were self-amortizing. Approximately 78.3% of the underlying 2003 Series D Purchased Mortgage Loans contain provisions permitting the Mortgagor of the 2003 Series D Purchased Development to prepay the applicable underlying 2003 Series D Purchased Mortgage Loan, in whole or in part, at any time (see “Appendix E-3—Mortgage Loan Prepayment Provisions—Category 31”). Approximately 21.7% of the underlying 2003 Series D Purchased Mortgage Loans contain provisions prohibiting the Mortgagor of the 2003 Series D Purchased Development from prepaying the applicable underlying 2003 Series D Purchased Mortgage Loan (see “Appendix E-3—Mortgage Loan Prepayment Provisions—Category 37”).

* These include twenty-one (21) underlying 2003 Series D Purchased Mortgage Loans qualified as eligible for inclusion in the financing for the 2003 Series D Bonds subsequent to February 28, 2003. Information contained in this subsection is as of February 28, 2003 with respect to 293 underlying 2003 Series D Purchased Mortgage Loans with an aggregate outstanding principal balance of \$113,019,187, as of April 30, 2003 with respect to seven (7) underlying 2003 Series D Purchased Mortgage Loans with an aggregate outstanding principal balance of \$2,530,708 and as of May 31, 2003 with respect to fourteen (14) underlying 2003 Series D Purchased Mortgage Loans with an aggregate outstanding principal balance of \$6,869,327.

There were five (5) underlying 2003 Series D Purchased Mortgage Loans with delinquencies of 60 days and over with an aggregate outstanding mortgage balance of \$216,491, resulting in an aggregate arrearage of \$4,174. There were no material defaults on any of the underlying 2003 Series D Purchased Mortgage Loans, other than a default on a related first mortgage loan with an outstanding underlying 2003 Series D Purchased Mortgage Loan balance of \$394,662; the City has agreed to forbear from commencing any foreclosure or other remedial action on the first mortgage note and has also agreed not to transfer, pledge or grant a security interest or participation interest in the first mortgage loan. In addition, there were sixty-six (66) underlying 2003 Series D Purchased Mortgage Loans with real estate taxes, water and sewer charges, other charges having tax lien status, liens for special assessments, and New York City Department of Environmental Protection liens or installment payments equal to or exceeding \$1,000 that were due and unpaid with an aggregate outstanding mortgage balance of \$30,307,147, resulting in an aggregate arrearage of \$2,270,041; the City has agreed not to sell or transfer such taxes, charges, liens or installment payments with respect to past due amounts relating to such underlying 2003 Series D Purchased Mortgage Loans and has also agreed to repurchase any such underlying 2003 Series D Purchased Mortgage Loan if there is no redemption of the subject property within four months after the entry of a foreclosure judgment (or such other period for mandatory redemption provided by law) with respect to an in rem action related to such taxes, charges, liens or installment payments.

For additional information on the underlying 2003 Series D Purchased Mortgage Loans and the 2003 Series D Purchased Developments, see Appendix D hereto. For a description of Article 8-A and PLP, see “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Program—Article 8-A Loan Program” and “—Participation Loan Program.”

Servicer. Below is a brief description of CPC, which is servicing the underlying 2003 Series D Purchased Mortgage Loans that the Corporation is not servicing:

CPC. CPC is a non-profit consortium of commercial and savings banks and insurance companies established in 1974 to provide multi-family construction and permanent mortgage financing for affordable housing in New York City. It has since expanded its operations throughout the State and into New Jersey. CPC has financed the rehabilitation or construction of over 96,000 units representing a total investment of private and public debt totalling over \$3.4 billion. It is the leading lender and servicer under PLP. Its total servicing portfolio is in excess of \$1.7 billion. CPC employs 18 mortgage loan servicing professionals, including 2 building inspectors.

2003 Series D Trust Mortgage Loans

The 2003 Series D Trust Mortgage Loans are evidenced by a 100% participation interest in the Cash Flow derived from the Class B-1 Sheridan Trust II Certificate that relates to the mortgage loans funded through Article 8-A and which Cash Flow was not pledged in connection with the issuance of the 2002 Series D Bonds. The Class B-1 Sheridan Trust II Certificate is currently held by the 2002 Facilitation Trust and evidences a beneficial ownership interest in the Class B Sheridan Trust Certificate which certificate, in turn, represents a beneficial ownership interest primarily in a pool of certain permanent mortgage loans, of which approximately 16 permanent mortgage loans are for Developments related to the 2003 Series D Bonds (the “2003 Series D Trust Developments”). The \$207,405,653 principal amount outstanding, as of May 27, 2003, of the Class B-1 Sheridan Trust II Certificate is subordinate in right of payment to the \$4,387,690 principal amount outstanding, as of May 27, 2003, of the Class A-1 Sheridan Trust II, Multifamily Mortgage Pass-Through Certificate, Series 1996-M1 (the “Class A-1 Sheridan Trust II Certificate”) and is also subordinate in right of payment to the \$58,885,279

principal amount outstanding, as of May 27, 2003, of the Class A Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995-M1 (the “Class A Sheridan Trust Certificate”).

The cash flow on the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate is based on the weighted average mortgage rate on the underlying 2003 Series D Trust Mortgage Loans and certain other mortgage loans (net of servicing and trustee fees) with respect to the aggregate principal amount outstanding of the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate, as the case may be. Based upon projected cash flows, it is presently anticipated that payments on the Class B-1 Sheridan Trust II Certificate, which cannot begin until all payments are made on the Class A Sheridan Trust Certificate and the Class A-1 Sheridan Trust II Certificate, will begin to be made in March 2007; however, the Corporation can give no assurance as to when such payments will actually begin. There are currently no defaults under the pooling and servicing agreement related to the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate or the Class B-1 Sheridan Trust II Certificate.

Approximately 31.0% of the aggregate outstanding principal balance of the underlying 2003 Series D Trust Mortgage Loans were secured by a first mortgage lien on the applicable Development and approximately 69.0% were secured by a second lien on the applicable Development as of April 16, 2003. The underlying 2003 Series D Trust Mortgage Loans on these Developments will not be secured by supplemental security such as FHA Insurance, SONYMA Insurance, REMIC Insurance or GNMA Securities (see “THE PROGRAM—Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures” and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to the Mortgage Loans”). All of the underlying 2003 Series D Trust Mortgage Loans are serviced by American Property Financing, Inc. (“APF”). APF currently conducts physical inspections of the 2003 Series D Trust Developments on an annual basis. For information on APF, see “Servicer” below.

The aggregate number of dwelling units in the 2003 Series D Trust Developments is approximately 7,175. As of April 16, 2003, the aggregate outstanding principal balance of the underlying 2003 Series D Trust Mortgage Loans was \$7,494,645. The weighted average interest rate for the underlying 2003 Series D Trust Mortgage Loans was approximately 2.08% and the weighted average remaining time to maturity for such Mortgage Loans was approximately 8 years as of April 16, 2003. All of the underlying 2003 Series D Trust Mortgage Loans are self-amortizing. Each underlying 2003 Series D Trust Mortgage Loan contains provisions prohibiting the Mortgagor of the 2003 Series D Trust Development from prepaying the applicable underlying 2003 Series D Trust Mortgage Loan (see “Appendix E-3—Mortgage Loan Prepayment Provisions—Category 37”).

As of April 16, 2003, there were no delinquencies of 60 days and over with respect to any of the underlying 2003 Series D Trust Mortgage Loans. As of April 16, 2003, there were no material defaults on any of the underlying 2003 Series D Trust Mortgage Loans.

For additional information on the underlying 2003 Series D Trust Mortgage Loans and the 2003 Series D Trust Developments, see Appendix D hereto. For a description of Article 8-A and the Mitchell-Lama program, see “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Program—Article 8-A Loan Program.

Servicer. Enumerated below is a brief description of APF which is servicing the underlying 2003 Series D Trust Mortgage Loans:

APF. APF is a Fannie Mae Delegated Underwriting and Servicing (DUS) lender, a Federal Home Loan Mortgage Corporation (Freddie Mac) Program Plus lender, a HUD-approved mortgagee and a GNMA seller/servicer specializing in multi-family financings throughout the United States. Since 1991, it has specialized in multi-family transactions in New York City and other major metropolitan areas. APF has a total servicing portfolio of over \$4.5 billion. It employs 16 mortgage loan servicing professionals with average experience in excess of 10 years.

Participation Interest

Pursuant to the 2003 Participation Agreement, the 2003 Participation Interest being purchased by the Corporation with the proceeds of the 2003 Series D Bonds consists of (i) a 100% participation interest in the underlying 2003 Series D Purchased Mortgage Loans, (ii) 100% participation interest in the Cash Flow derived from the Class B-1 Sheridan Trust II Certificate relating to the 2003 Series D Trust Mortgage Loans, (iii) all rights, but not the obligations, of the “owner” of the underlying 2003 Series D Purchased Mortgage Loans under the servicing agreements with respect to the 2003 Series D Purchased Mortgage Loans, and (iv) all rights of the 2003 Facilitation Trust under the Purchase and Sale Agreement between the City and the 2003 Facilitation Trust, pursuant to which the City is assigning the underlying 2003 Series D Purchased Mortgage Loans and the Cash Flow derived from the Class B-1 Sheridan Trust II Certificate to the 2003 Facilitation Trust. Pursuant to the 2003 Series D Supplemental Resolution, the Corporation has pledged, for the benefit of the Holders of the Bonds, the 2003 Participation Interest (net of certain amounts payable to the Corporation), which 2003 Participation Interest does not include certain voting rights that the Corporation may, in the future, obtain with respect to the Class B-1 Sheridan Trust II Certificate in connection with the issuance of the 2002 Series D Bonds; provided that such Participation Interest shall be automatically released from the lien of the General Resolution when no 2002 Series D Bonds and 2003 Series D Bonds are Outstanding.

Although the Corporation services some of the underlying 2003 Series D Mortgage Loans, such Mortgage Loans were originated and underwritten by other parties. The Corporation has caused a review of certain of the underlying 2003 Series D Purchased Mortgage Loans to be undertaken, but has not reviewed each underlying 2003 Series D Mortgage Loan. However, the Corporation has received certain representations and warranties with respect to certain underlying 2003 Series D Purchased Mortgage Loans from the City, HPD, CPC and various other servicers. For a description of certain factors affecting all Mortgage Loans, including the 2003 Series D Mortgage Loans, see “THE PROGRAM—Certain Factors Affecting the Mortgage Loans.”

Pursuant to the 2003 Participation Agreement, notwithstanding the acquisition of a 100% participation interest in the 2003 Series D Purchased Mortgage Loans by the Corporation, legal title to the underlying 2003 Series D Purchased Mortgage Loans will remain with the 2003 Facilitation Trust. Upon the issuance of the 2003 Series D Bonds, the Corporation, the 2003 Facilitation Trust and HPD will enter into an agreement pursuant to which HPD will agree to pursue certain remedies with respect to a defaulted underlying 2003 Series D Purchased Mortgage Loan as directed by the Corporation. The 2003 Series D Supplemental Resolution provides that, in the event title to any 2003 Series D Purchased Development is acquired as a result of proceedings instituted upon a default on an underlying 2003 Series D Purchased Mortgage Loan, such Development shall constitute an “Acquired Project” for purposes of the General Resolution (see “THE PROGRAM—Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures”). In addition, if a monetary default on such Mortgage Loan was caused by a breach of a representation or warranty given by the City, HPD or CPC with respect to such Mortgage Loan, or, if such breach prevents the Corporation

from realizing on the security provided by such Mortgage Loan, the City has agreed to correct such breach, repurchase such Mortgage Loan or substitute mortgages of equal value.

The Corporation's rights as to the 2003 Series D Trust Mortgage Loans and the underlying 2003 Series D Trust Mortgage Loans are limited by (i) the terms of the trust related to the Class B Sheridan Trust Certificate and (ii) the fact that voting rights with respect to said trust, including the right to amend or terminate said trust, have been retained by the City and not granted to the Corporation. The City has agreed, however, to consult with the Corporation prior to the exercise of such rights and not to exercise any such rights in a manner that shall have a material adverse effect on the rights of the Corporation to receive payments on the Class B-1 Sheridan Trust II Certificate without the prior written consent of the Corporation.

THE PROGRAM

General

Under the Program, the Corporation may issue Bonds to finance any corporate purpose for which bonds may be issued under the Act or any other applicable law now or hereafter enacted. The Bonds, including the 2003 Bonds, have been and are being issued to, among other things, finance construction Mortgage Loans (the "Construction Mortgage Loans") and/or finance permanent Mortgage Loans and/or the acquisition of permanent Mortgage Loans (collectively, the "Permanent Mortgage Loans") for certain newly constructed or rehabilitated Developments which may be subsidized with other monies of the Corporation. In addition, the Corporation has pledged as security for the Bonds, including the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, additional Permanent Mortgage Loans (the "Additional Mortgage Loans") which were contributed in connection with the issuance of the 1999 Series A Bonds and the 2002 Series C Bonds but were not financed with the proceeds of any Bonds. Construction Mortgage Loans and Permanent Mortgage Loans, which include the Additional Mortgage Loans, are referred to herein, collectively, as the "Mortgage Loans."

As of March 31, 2003, the aggregate outstanding principal balance of Mortgage Loans financed under the Program was approximately \$1,459,136,279. The Mortgage Loans financed those Developments located throughout the City as set forth in "Exhibit E-1—Developments and Mortgage Loans Outstanding Under the Program." As of March 31, 2003, approximately 606 of such Mortgage Loans are Permanent Mortgage Loans. Subsequent to March 31, 2003, one (1) Permanent Mortgage Loan, with an outstanding principal balance of \$7,009,401 as of March 31, 2003, was prepaid. Approximately 452 of such Permanent Mortgage Loans relate to the 2002 Series D Mortgage Loans and are subject to a participation interest (see "Participation Interest Relating to the 2002 Series D Mortgage Loans" below). As of March 31, 2003, twenty-six (26) of such 632 Mortgage Loans are Construction Mortgage Loans for twenty-six (26) Developments which are expected to contain an additional 1,766 rental units. There have been no material monetary defaults on any of the Mortgage Loans (generally loans that are 60 to 90 days delinquent in payment of debt service) other than (i) temporary financial difficulties with respect to certain Developments which have since been cured, (ii) certain of the underlying 2002 Series D Mortgage Loans prior to the acquisition by the Corporation of a participation interest with respect to such Mortgage Loans or the cash flow therefrom in connection with the issuance of the 2002 Series D Bonds, (iii) with respect to one (1) Development under the Program with an outstanding Mortgage Loan balance of \$5,145,176 as of March 31, 2003 and (iv) with respect to two (2) underlying 2002 Series D Purchased Mortgage Loans, with an aggregate outstanding Mortgage Loan

balance of \$1,914,000 as of March 31, 2003 (see “Mortgage Loans with Current Financial Difficulties” below). For additional information on the Mortgage Loans and the Developments, see Appendix E-1 hereto.

A majority of the outstanding Mortgage Loans under the Program, as measured by outstanding principal balance, are secured by first mortgage liens on their respective Developments, with the remainder secured by second mortgage liens (or, in the case of one (1) Mortgage Loan, a fourth lien) on their respective Developments. As further security, as of March 31, 2003, approximately eighty-five (85) of such Mortgage Loans, which are all Permanent Mortgage Loans, with an aggregate outstanding principal balance of approximately \$475,517,938, are subject to supplemental security insuring or securing against Mortgage Loan default losses. Subsequent to March 31, 2003, one (1) such Permanent Mortgage Loan, with an outstanding principal balance of \$7,009,401 as of March 31, 2003, was prepaid. Such supplemental security includes FHA Insurance issued by FHA pursuant to the provisions of Section 220, 221(d)(3), 221(d)(4) or 223(f) of the National Housing Act, as amended (the “National Housing Act”), GNMA Securities, SONYMA Insurance issued pursuant to Article 8, Title 17 Part II of the New York Public Authorities Law by SONYMA, and REMIC Insurance issued pursuant to Section 654-d of the New York Private Housing Finance Law by REMIC. As of March 31, 2003, 521 of the outstanding Permanent Mortgage Loans under the Program with an aggregate outstanding principal balance of \$869,620,607 were not secured by supplemental security. In addition, most of the Mortgage Loans outstanding under the Program are a beneficiary of a federal or State subsidy program, including Section 8, Section 236 and HAC, and/or the Subordinate Loan/Grant Programs, with the exception of approximately forty-two (42) Mortgage Loans (all of which are regulated by HPD under the Mitchell-Lama Law) which had, as of March 31, 2003, an aggregate outstanding principal balance of approximately \$97,839,588. Each supplemental security program, subsidy program, and Subordinate Loan/Grant Program is implemented under different federal, State or local statutes and is subject to its own rules and guidelines. The approximately sixteen (16) Mortgage Loans for Developments subsidized through the Section 236 program (the “Section 236 Developments”), and the approximately forty-two (42) Mortgage Loans for Developments not secured by supplemental security such as FHA Insurance, SONYMA Insurance, REMIC Insurance or GNMA Securities and also not subsidized through subsidy programs such as Section 8, Section 236 or HAC, or the Subordinate Loan/Grant Programs (the “Unsubsidized Developments”) are regulated by HPD pursuant to the Mitchell-Lama Law. For a detailed description, see “Mortgage Loans Not Secured by Supplemental Security” below, and “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program” and “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Programs.”

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The table below summarizes all Developments and all Mortgage Loans outstanding under the Program as of March 31, 2003:

Summary of All Developments and All Mortgage Loans

	Number of Mortgage Loans	Outstanding Principal Balance of Mortgage Loans	Percentage of Total Outstanding Principal Balance of Mortgage Loans
Permanent Mortgage Loans ^{†, ††}	606	\$1,345,138,545	92.19%
Construction Mortgage Loans ^{†††}	26	\$113,997,734	7.81%
TOTAL	632	\$1,459,136,279	100.00%

[†] As of March 31, 2003, approximately 362 of such Mortgage Loans, with an aggregate outstanding Permanent Mortgage Loan balance of approximately \$398,576,320, relate to the 2002 Series D Purchased Mortgage Loans, and approximately 90 of such Mortgage Loans, with an aggregate outstanding Permanent Mortgage Loan balance of approximately \$264,292,848, related to the 2002 Series D Trust Mortgage Loans, all of which are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” below).

^{††} Subsequent to March 31, 2003, one (1) Permanent Mortgage Loan, with an outstanding balance of \$7,009,401 as of March 31, 2003, was prepaid. In addition, subsequent to March 31, 2003, two (2) Permanent Mortgage Loans, with an aggregate outstanding balance of \$5,930,000, were financed (see “Summary of Developments under Construction and Construction Mortgage Loans” chart below).

^{†††} Subsequent to March 31, 2003, one (1) Construction Mortgage Loan consisting of 90 dwelling units, with an outstanding anticipated Permanent Mortgage Loan balance of \$9,100,000, was financed (see “Summary of Developments under Construction and Construction Mortgage Loans” chart and “Summary of Developments and Permanent Mortgage Loans Expected to be Funded” chart below). In addition, subsequent to March 31, 2003, two (2) Construction Mortgage Loans, with an aggregate outstanding Construction Mortgage Loan balance of \$5,669,061 as of March 31, 2003, converted to two (2) Permanent Mortgage Loans, with an aggregate outstanding Permanent Mortgage Loan balance of \$5,930,000 (see “Summary of Developments under Construction and Construction Mortgage Loans” chart below).

One hundred twenty-three (123) of the Developments with Permanent Mortgage Loans have been in operation since at least March 2000. As of March 31, 2003, 144 of the Developments (which 144 Developments represent approximately 95% of the aggregate outstanding principal balance of Permanent Mortgage Loans) were at least 95% occupied. Nine (9) of the Developments (which nine (9) Developments represent approximately 5% of the aggregate outstanding principal balance of Permanent Mortgage Loans) was at least 90% and less than 95% occupied. One (1) of the Developments (which one (1) Development represents less than 1% of the aggregate outstanding principal balance of Permanent Mortgage Loans) was less than 90% occupied. The information contained in this paragraph excludes information relating to the 2002 Series D Mortgage Loans and the related Developments which are generally seasoned mortgage loans with Developments that have been in operation prior to March 2000.

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The following table summarizes completed Developments and Permanent Mortgage Loans outstanding under the Program as of March 31, 2003:

Summary of Completed Developments and Permanent Mortgage Loans

Permanent Mortgage Loan Supplemental Security	Subsidy, Subordinate Loan or Grant Program(s)	Number of Permanent Mortgage Loans	Outstanding Principal Balance of Permanent Mortgage Loans	Percentage of Total Outstanding Principal Balance of Permanent Mortgage Loans
FHA	Section 8 ²	30	\$167,583,127	12.46%
FHA	Subordinate Loan/Grant Programs	12	\$11,294,145	0.84%
FHA	Section 236	8	82,398,349	6.13%
SONYMA	Subordinate Loan/Grant Programs	6	\$55,692,376	4.14%
REMIC ¹	Subordinate Loan/Grant Programs	26	\$144,405,307	10.74%
GNMA	HAC	3	\$14,144,634	1.05%
None	Section 8 ³	20	\$8,926,165	0.66%
None	Subordinate Loan/Grant Programs ⁴	451	\$596,037,490	44.31%
None	Section 236 ⁵	8	\$166,817,364	12.40%
None	None ⁶	42	\$97,839,588	7.27%
TOTAL		606	\$1,345,138,545	100.00%

¹ REMIC Insurance secured either twenty percent (20%) or twenty-five percent (25%) of the original principal amount of the Permanent Mortgage Loan for each of these Developments.

² As of March 31, 2003, one (1) Permanent Mortgage Loan, with an outstanding balance of approximately \$1,187,393, relates to the 2002 Series D Purchased Mortgage Loans and is subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” below). Subsequent to March 31, 2003, one (1) Permanent Mortgage Loan, with an outstanding balance of \$7,009,401 as of March 31, 2003, was prepaid.

³ All of these Developments relate to the 2002 Series D Purchased Mortgage Loans and are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” below).

⁴ As of March 31, 2003, approximately 330 Permanent Mortgage Loans, with an aggregate outstanding balance of approximately \$369,280,524, relate to the 2002 Series D Purchased Mortgage Loans and approximately fifty (50) Permanent Mortgage Loans, with an aggregate outstanding balance of approximately \$136,725,794, relate to the 2002 Series D Trust Mortgage Loans, all of which are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” below). Subsequent to March 31, 2003, two (2) Permanent Mortgage Loans, with an aggregate outstanding balance of \$5,930,000, was financed (see “Summary of All Developments and All Mortgage Loans” chart above and “Summary of Developments under Construction and Construction Mortgage Loans” chart below).

⁵ As of March 31, 2003, approximately four (4) Permanent Mortgage Loans, with an aggregate outstanding balance of approximately \$45,465,025, relate to the 2002 Series D Trust Mortgage Loans, which are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” below).

⁶ As of March 31, 2003, approximately six (6) Permanent Mortgage Loans, with an aggregate outstanding balance of approximately \$15,737,559, relate to the 2002 Series D Purchased Mortgage Loans, and approximately thirty-six (36) Permanent Mortgage Loans, with an aggregate outstanding balance of approximately \$82,102,029, relate to the 2002 Series D Trust Mortgage Loans, all of which are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” below).

See “Appendix E-1—Developments and Mortgage Loans Outstanding under the Program—Developments and Permanent Mortgage Loans Outstanding Under the Program as of March 31, 2003.”

All of the Construction Mortgage Loans are secured by standby letters of credit or GNMA Securities; such letters of credit need not meet the requirements under the General Resolution for Credit Facilities. Such letters of credit may be drawn upon by the Corporation if a Mortgagor fails to make the

required payments of interest and principal on the related Construction Mortgage Loan. Such letters of credit are not pledged to the owners of the Bonds; however, any payments received by the Corporation from the letter of credit providers pursuant to such letters of credit will be pledged for the benefit of the owners of the Bonds.

The table below summarizes Developments under construction and Construction Mortgage Loans outstanding under the Program as of March 31, 2003:

Summary of Developments Under Construction and Construction Mortgage Loans

Anticipated Permanent Mortgage Loan Supplemental Security	Subsidy, Subordinate Loan or Grant Program(s)	Number of Developments/ Construction Mortgage Loans	Number of Dwelling Units	Anticipated Amount of Permanent Mortgage Loans	Amount of Original Construction Mortgage Loans	Principal Balance of Construction Mortgage Loans Advanced
SONYMA	Subordinate Loan/Grant Programs	1	85	\$9,790,000	\$10,350,000	\$10,004,554
GNMA [†]	None	1	104	\$30,115,000	\$30,115,000	\$28,799,589
None	Subordinate Loan/Grant Programs ^{††}	24	1,577	\$147,600,000	\$162,330,00	\$75,193,591
TOTAL		26	1,766	\$187,505,000	\$202,795,000	\$113,997,734

[†] GNMA also provides supplemental security for construction loan advances.

^{††} Subsequent to March 31, 2003, one (1) Construction Mortgage Loan consisting of 90 dwelling units, with an outstanding anticipated Permanent Mortgage Loan balance of \$9,100,000, was financed (see “Summary of All Developments and All Mortgage Loans” chart above and “Summary of Developments and Permanent Mortgage Loans Expected to be Funded” chart below). In addition, subsequent to March 31, 2003, two (2) Construction Mortgage Loans, with an aggregate outstanding Construction Mortgage Loan balance of \$5,669,061 as of March 31, 2003, converted to two (2) Permanent Mortgage Loans, with an aggregate outstanding Permanent Mortgage Loan balance of \$5,930,000 (see “Summary of Developments under Construction and Construction Mortgage Loans” chart below).

See “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program—Developments and Construction Mortgage Loans Outstanding Under the Program as of March 31, 2003.”

In addition to the Developments described above, the Corporation expects to use the remaining proceeds of the 2000 Series B Bonds and the 2002 Series C Bonds on deposit as of March 31, 2003 to fund the following Developments and Permanent Mortgage Loans:

Summary of Developments and Permanent Mortgage Loans Expected to be Funded

Anticipated Permanent Mortgage Loan Supplemental Security	Anticipated Subsidy, Subordinate Loan or Grant Program	Expected Applicable Series Resolution	Expected Number of Developments/ Permanent Mortgage Loans	Expected Number of Dwelling Units	Estimated Construction Mortgage Loan Amount	Estimated Permanent Mortgage Loan Amount
None	Subordinate Loan/Grant Program [†]	2000 Series B/ 2002 Series C/	3	179	\$15,800,000	\$15,800,000

[†] Subsequent to March 31, 2003, one (1) Construction Mortgage Loan consisting of 90 dwelling units, with an outstanding anticipated Permanent Mortgage Loan balance of \$9,100,000, was financed (see “Summary of All Developments and All Mortgage Loans” chart and “Summary of Developments under Construction and Construction Mortgage Loans” chart above).

See “Appendix E-2—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2000 Series B Bonds and the 2002 Series C Bonds” for a description of the Developments to be financed with the 2000 Series B Bonds and the 2002 Series C Bonds.

The General Resolution provides for the issuance of additional Bonds to be used for financing any corporate purpose including the financing of Mortgage Loans and Developments which are neither secured by supplemental security nor subsidized. Furthermore, the General Resolution does not require Mortgage Loans to be secured by first mortgage liens on their respective Developments. Moreover, the Corporation may withdraw Mortgage Loans and surplus revenues from the pledge and lien of the General Resolution upon the filing with the Trustee of a Cash Flow Statement or Cash Flow Certificate. See “SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates.”

The following sections include a description of the servicing activities related to the Mortgage Loans under the Program, a description of the Bonds outstanding under the Program and a summary of Program assets and revenues. Brief descriptions of FHA Mortgage Insurance, the participation interest relating to the 2002 Series D Mortgage Loans, REMIC Insurance, Mortgage Loans not secured by supplemental security, the Section 8, the Section 236 and the Mitchell-Lama programs, certain factors affecting the Mortgage Loans, including prepayments, New York foreclosure procedures and bankruptcy, and the Mortgage Loans with current financial difficulties are also included herein. More detailed descriptions of FHA Mortgage Insurance, REMIC Insurance, the Section 8 and Section 236 programs and each of the other supplemental security programs and subsidy programs currently being utilized under the Program as well as the Mitchell-Lama program may be found in Appendix F hereto.

Servicing

All of the Mortgage Loans are serviced by the Corporation except for (i) the Mortgage Loans financed through the acquisition of GNMA Securities which are serviced by the applicable Mortgage Banker, (ii) certain underlying 2002 Series D Purchased Mortgage Loans and the underlying 2002 Series D Trust Mortgage Loans (each as defined below in “Participation Interest Relating to the 2002 Series D Mortgage Loans”) and (iii) certain construction loans financed by the proceeds of the 1999 Series B Bonds, the 1999 Series E Bonds, the 2000 Series A Bonds, the 2000 Series B Bonds, the 2001 Series A Bonds, the 2001 Series C Bonds, the 2002 Series A Bonds, the 2002 Series C Bonds and the 2002 Series E Bonds which are serviced by the bank issuing the letter of credit during construction. Servicing by the Corporation includes the collection of mortgage payments from the Mortgagors of the applicable Developments. With respect to Mortgage Loans serviced by the Corporation and not regulated by HPD, an escrow account for the payment of taxes, hazard insurance and mortgage insurance, if any, is maintained by the Corporation for each Development and is funded from the monthly revenues of each such Development. FHA and GNMA regulations impose similar obligations on the Mortgage Banker in connection with the Mortgage Loans financed through the acquisition of GNMA Securities. However, with respect to Mortgage Loans regulated by HPD pursuant to the Mitchell-Lama Law and not insured by FHA, there is no such escrow requirement. With respect to Mortgage Loans serviced by the Corporation and not regulated by HPD, each Mortgagor is also required to maintain a reserve fund for replacements with the Corporation. These reserve funds for replacements are funded from the monthly revenues of their respective Development. With respect to Mortgage Loans regulated by HPD pursuant to the Mitchell-Lama Law and not insured by FHA, each Mortgagor is required to maintain a reserve fund for replacements. In general, the applicable escrows and reserves for the Developments serviced by the Corporation were funded at the required levels. The Corporation requires financial statements for each Development serviced by the Corporation to be furnished to the Corporation annually.

The Corporation conducts an annual site review of each Development with a Permanent Mortgage Loan serviced by the Corporation to monitor its physical condition; however, Developments with FHA-insured Mortgage Loans having a superior inspection rating need only be inspected by the Corporation every three (3) years, Developments related to the 2002 Series D Mortgage Loans serviced by the Corporation are only inspected by the Corporation every three (3) years and Developments with Permanent Mortgage Loans recently made may not have been inspected by the Corporation. During this review, the Corporation undertakes various procedures to monitor the exterior and interior physical condition of the Developments. The Corporation's inspection ratings for the Developments, which incorporate HUD's inspection ratings for FHA-insured mortgage loans, include four rating levels: superior (HUD score: 90-100), satisfactory (HUD score: 60-89), below average (HUD score: 46-59) and unsatisfactory (HUD score: 0-45). As of March 31, 2003, the physical condition of the inspected Developments based upon the aggregate outstanding principal balance of Permanent Mortgage Loans was approximately 13% superior, 61% satisfactory, 24% below average and 2% unsatisfactory. The foregoing information excludes information related to the 2002 Series D Mortgage Loans not serviced by the Corporation and the related Developments (see the following paragraph for information regarding the 2002 Series D Mortgage Loans not serviced by the Corporation and the related Developments). The Corporation's annual inspection reviews include recommendations for curing deficiencies. The Corporation monitors those Developments which receive below average and unsatisfactory ratings in order to determine whether (i) required reports have been made and/or (ii) curative work has been undertaken and completed within a prescribed time frame. In order to cure deficiencies and thus improve the ratings of such Developments, the Corporation may advise the Mortgagor to request a drawdown on its respective reserve fund for replacements. If the reserves are not sufficient to cover the work required to improve a Development's rating or if the Corporation has determined that the low rating is due to Mortgagor neglect, the Corporation will meet with the Mortgagor to discuss corrective actions in all review reporting areas which include management practices, financial operations, vouchering procedures, as well as physical condition. For additional information concerning the Permanent Mortgage Loans and the Developments, their respective physical inspection ratings, and the Corporation's inspection procedures and rating categories, see Appendix E-1 hereto and "Appendix E-4—Permanent Mortgage Loan Physical Inspection Ratings." In addition, the Corporation conducts an annual review of the inspected Developments to monitor their financial condition and the Section 8 Developments (as defined below in "The Section 8 Program") to monitor their financial management controls.

In addition to the Corporation, CPC and APF, both of which are experienced mortgage loan servicers, service the underlying 2002 Series D Mortgage Loans. A majority of the underlying 2002 Series D Mortgage Loans, as measured by outstanding principal balance, are serviced by CPC with the remainder serviced by the Corporation and APF. CPC and APF currently conduct physical inspections of the underlying 2002 Series D Mortgage Loans which they respectively service on an annual basis as well as collect mortgage payments, and required escrows and reserves from the Mortgagors of the applicable Developments.

Any Development subsidized through the Section 8 program which receives an unsatisfactory physical condition rating may have its subsidy payments reduced, suspended or terminated. In addition, HUD may reduce the Section 236 subsidy in certain cases if a unit or units in a Development subsidized through the Section 236 program become not habitable for any reason. In the event such payments were reduced, suspended or terminated in respect of a Permanent Mortgage Loan secured by a Section 8 contract or a Section 236 contract, such reduced, suspended or terminated payments would not be available to pay debt service on such Mortgage Loan, which could result in a default on such Mortgage Loan.

The Corporation requires property, liability, boiler and machinery, and fidelity insurance for the Mortgage Loans that it services including any insurance coverage required by FHA (see “Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Programs—The FHA Insurance Program—General”), SONYMA or REMIC. Property insurance must cover at least the outstanding Mortgage Loan amount and lost rental value of at least one year’s rental income at the Development. As of March 31, 2003, all such Developments are in compliance with the Corporation’s insurance requirements. With respect to the underlying 2002 Series D Mortgage Loans serviced by CPC, CPC has agreed to monitor, pursuant to servicing agreements, compliance by the applicable Mortgagor with the insurance requirements set forth in the loan documents related to such underlying 2002 Series D Mortgage Loans.

Bonds Outstanding Under the Program

As of April 1, 2003, the following Series of Bonds were Outstanding under the Program:

<u>Series</u>	<u>Original Par Amount</u>	<u>Outstanding Par Amount</u>
1994 Series A	\$ 6,500,000	\$ 4,660,000
1995 Series A	49,635,000	5,955,000
1996 Series A	217,310,000	62,795,000
1997 Series A	12,215,000	10,715,000
1997 Series B	13,050,000	10,045,000
1997 Series C	30,000,000	22,250,000
1998 Series A	57,800,000	56,000,000
1998 Series B	21,380,000	20,895,000
1999 Series A-1	49,100,000	41,300,000
1999 Series A-2	17,500,000	17,500,000
1999 Series B-1	10,000,000	10,000,000
1999 Series B-2	30,200,000	28,700,000
1999 Series C	9,800,000	5,485,000
1999 Series D	8,110,000	7,345,000
1999 Series E	10,715,000	10,020,000
2000 Series A	11,440,000	6,855,000
2000 Series B	24,800,000	24,700,000
2001 Series A	30,115,000	30,115,000
2001 Series B	87,370,000	79,015,000
2001 Series C-1	10,730,000	10,730,000
2001 Series C-2	17,770,000	17,770,000
2002 Series A	36,370,000	36,370,000
2002 Series B	7,150,000	7,150,000
2002 Series C	49,500,000	49,500,000
2002 Series D	285,000,000	273,200,000
2002 Series E-1	4,000,000	4,000,000
2002 Series E-2	19,300,000	19,300,000
2002 Series F	4,600,000	4,600,000
2003 Series A	<u>81,170,000</u>	<u>81,170,000</u>
TOTAL	<u>\$1,212,630,000</u>	<u>\$958,140,000</u>

Summary of Program Assets and Revenues

Accompanying the audited financial statements of the Corporation for the fiscal year ended October 31, 2002 is supplemental information related to the Program (referred to therein as the “Housing Revenue Bond Program”) which is specifically set forth in Schedule 1, all as set forth in Appendix B

hereto. Schedule 1 is supplemental information primarily related to the Program for the Corporation's fiscal years ended October 31, 2001 and October 31, 2002. Said schedule includes (i) a balance sheet with assets, liabilities and fund balances substantially related to the assets pledged under the General Resolution and (ii) a statement of revenues and expenses substantially related to the revenues pledged under the General Resolution. In addition, this schedule does not include financial information with respect to (i) the 2002 Series E Bonds, the 2002 Series F Bonds, the 2003 Series A Bonds, the 2003 Series B Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, (ii) certain of the Mortgage Loans financed by the 1999 Series A Bonds, the 1999 Series B Bonds, the 1999 Series C Bonds, the 1999 Series E Bonds, the 2000 Series A Bonds, the 2000 Series B Bonds, the 2001 Series A Bonds, the 2001 Series C Bonds, the 2002 Series A Bonds, the 2002 Series C Bonds, the 2002 Series E Bonds, the 2002 Series F Bonds and the 2003 Series A Bonds, and (iii) certain of the Mortgage Loans financed or expected to be financed by the proceeds of the 2000 Series B Bonds, the 2002 Series C Bonds, the 2002 Series E Bonds, the 2003 Series B Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds. See "PLAN OF FINANCING."

Schedule 1 contains a schedule of balance sheet information which reflects net assets of approximately \$271,110,000 for the fiscal year ended October 31, 2002, an increase of 14.1% from the 2001 fiscal year. This schedule also provides information pertaining to revenues, expenses and changes in net assets that reflects changes in net assets of approximately \$33,493,000 in the fiscal year ended October 31, 2002, an increase of 50.8% from the 2001 fiscal year.

The Corporation may withdraw assets and surplus revenues from the pledge and lien of the General Resolution upon the filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate as more fully described under the caption "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates." Since the inception of the Program, the Corporation has made withdrawals of surplus revenues. During the fiscal year ending October 31, 2001, the Corporation withdrew \$15,538,728 in surplus revenues and during the fiscal year ending October 31, 2002, the Corporation withdrew \$13,296,135.50 in surplus revenues. Subsequent to October 31, 2002 through May 1, 2003, the Corporation withdrew \$15,147,286 in surplus revenues.

Mortgage Loans Not Secured by Supplemental Security

As of March 31, 2003, approximately 521 Permanent Mortgage Loans under the Program, with an aggregate outstanding balance of approximately \$869,620,607, are not secured by supplemental security such as FHA Insurance, SONYMA Insurance, REMIC Insurance or GNMA Securities; approximately 356 of such Mortgage Loans, with an aggregate outstanding balance of approximately \$393,944,248, relate to the 2002 Series D Purchased Mortgage Loans, and approximately ninety (90) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$264,292,848, relate to the 2002 Series D Trust Mortgage Loans, all of which are subject to a participation interest (see "Participation Interest Relating to the 2002 Series D Mortgage Loans" below). In addition, as of March 31, 2003, twenty-four (24) Permanent Mortgage Loans expected to be financed under the Program are not expected to be secured by such supplemental security, which Mortgage Loans are expected to be in an aggregate amount of \$75,193,591. Each of such Mortgage Loans is evidenced by a mortgage note payable to the Corporation and secured by a first mortgage lien on a Development. In the event of a default on such Mortgage Loans, such mortgage liens would likely be the sole security for repayment of such Mortgage Loans (see "Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures" below).

Participation Interest Relating to the 2002 Series D Mortgage Loans

As of March 31, 2003, approximately 452 Mortgage Loans under the Program, with an aggregate outstanding balance of approximately \$662,869,168, relate to the 2002 Series D Mortgage Loans; approximately 362 of such Mortgage Loans, with an aggregate outstanding balance of approximately \$398,576,320, relate to the 2002 Series D Purchased Mortgage Loans, and approximately ninety (90) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$264,292,848, relate to the 2002 Series D Trust Mortgage Loans, all of which are subject to a participation interest as described below.

Pursuant to a Participation Agreement (the "2002 Participation Agreement") between the Corporation and the 2002 Facilitation Trust, entered into in connection with the issuance of the 2002 Series D Bonds, the Corporation purchased a participation interest with the proceeds of the 2002 Series D Bonds; as of March 31, 2003, such participation interest consists of (i) a 100% participation interest in approximately 366 permanent mortgage loans for multi-family housing developments (said participation interest in such mortgage loans to constitute the "2002 Series D Purchased Mortgage Loans"), (ii) 100% participation interest in a portion of the cash flow derived from the Class B-1 Sheridan Trust II Certificate, which certificate evidences a beneficial ownership interest in the Class B Sheridan Trust Certificate, which certificate, in turn, represents a beneficial ownership interest in approximately 90 permanent mortgage loans (said participation interest to constitute the "2002 Series D Trust Mortgage Loans," collectively with the 2002 Series D Purchased Mortgage Loans, the "2002 Series D Mortgage Loans"), (iii) all rights, but not the obligations, of the "owner" of the underlying 2002 Series D Purchased Mortgage Loans under the servicing agreements with respect to the 2002 Series D Purchased Mortgage Loans, and (iv) all rights of the 2002 Facilitation Trust under the Purchase and Sale Agreement between the City and the 2002 Facilitation Trust, pursuant to which the City assigned the underlying 2002 Series D Purchased Mortgage Loans and the Class B-1 Sheridan Trust II Certificate to the 2002 Facilitation Trust (collectively, the "2002 Participation Interest"). Pursuant to the Twenty-Seventh Supplemental Resolution, the Corporation has pledged the 2002 Participation Interest (net of certain amounts payable to the Corporation and certain voting rights that the Corporation may, in the future, obtain with respect to the Class B-1 Sheridan Trust II Certificate in connection with the issuance of the 2002 Series D Bonds), for the benefit of the Holders of the Bonds, and such 2002 Participation Interest constitutes a "Mortgage Loan" under the General Resolution; provided that such 2002 Participation Interest shall be automatically released from the lien of the General Resolution when, pursuant to the Twenty-Seventh Supplemental Resolution and the 2003 Series D Supplemental Resolution, no 2002 Series D Bonds and 2003 Series D Bonds are Outstanding and such release shall not require the provision of a Cash Flow Statement or a Cash Flow Certificate.

As of May 27, 2003, the \$207,405,653 principal amount outstanding of the Class B-1 Sheridan Trust II Certificate is subordinate in right of payment to the \$4,387,690 principal amount outstanding of the Class A-1 Sheridan Trust II Certificate and is also subordinate in right of payment to the \$58,885,279 principal amount outstanding of the Class A Sheridan Trust Certificate.

The cash flow on the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate is based on the weighted average mortgage rate on the underlying 2002 Series D Trust Mortgage Loans and certain other mortgage loans (net of servicing and trustee fees) with respect to the aggregate principal amount outstanding of the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate, as the case may be. Based upon projected cash flows prepared in connection with the issuance of the 2002 Series D Bonds in June 2002, it is presently anticipated that payments on the Class B-1 Sheridan Trust II

Certificate, which cannot begin until all payments are made on the Class A Sheridan Trust Certificate and the Class A-1 Sheridan Trust II Certificate, will begin to be made in March 2007; however, the Corporation can give no assurance as to when such payments will actually begin. There have been no defaults under the pooling and servicing agreement related to the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate or the Class B-1 Sheridan Trust II Certificate.

The underlying 2002 Series D Mortgage Loans were originated and underwritten by other parties. In connection with the acquisition of the 2002 Participation Interest, the Corporation caused a review of certain of the underlying 2002 Series D Purchased Mortgage Loans to be undertaken, but did not review each underlying 2002 Series D Mortgage Loan. However, the Corporation has received certain representations and warranties with respect to certain underlying 2002 Series D Purchased Mortgage Loans from the City, HPD and CPC. For a description of certain factors affecting all Mortgage Loans, including the 2002 Series D Mortgage Loans, see “Certain Factors Affecting the Mortgage Loans” below.

Pursuant to the 2002 Participation Agreement, notwithstanding the acquisition of a 100% participation interest in the 2002 Series D Purchased Mortgage Loans by the Corporation, legal title to the underlying 2002 Series D Purchased Mortgage Loans remained with the 2002 Facilitation Trust except for the 2002 Series D Purchased Mortgage Loans insured by FHA. In addition, with respect to the underlying 2002 Series D Purchased Mortgage Loans that are regulated pursuant to the Mitchell-Lama Law, HPD will remain the supervising agency. Upon the issuance of the 2002 Series D Bonds, the Corporation, the 2002 Facilitation Trust and HPD entered into an agreement pursuant to which HPD agreed to pursue certain remedies with respect to a defaulted underlying 2002 Series D Purchased Mortgage Loan as directed by the Corporation. The Twenty-Seventh Supplemental Resolution provides that, in the event title to any 2002 Series D Purchased Development is acquired as a result of proceedings instituted upon a default on an underlying 2002 Series D Purchased Mortgage Loan, such Development shall constitute an “Acquired Project” for purposes of the General Resolution (see “Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures” below). In addition, if a monetary default on such Mortgage Loan was caused by a breach of a representation or warranty given by the City, HPD or CPC with respect to such Mortgage Loan, or, if such breach prevents the Corporation from realizing on the security provided by such Mortgage Loan, the City has agreed to correct such breach, repurchase such Mortgage Loan or substitute mortgages of equal value.

The Corporation’s rights as to the 2002 Series D Trust Mortgage Loans and the underlying 2002 Series D Trust Mortgage Loans are limited by (i) the terms of the trust related to the Class B Sheridan Trust Certificate and (ii) the fact that voting rights with respect to said trust, including the right to amend or terminate said trust, have been retained by the City and not granted to the Corporation. The City has agreed, however, to consult with the Corporation prior to the exercise of such rights and not to exercise any such rights in a manner that shall have a material adverse effect on the rights of the Corporation to receive payments on the Class B-1 Sheridan Trust II Certificate without the prior written consent of the Corporation.

For additional information regarding the 2002 Series D Mortgage Loans, see “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program—Developments and Permanent Mortgage Loans Financed with the Proceeds of the 2002 Series D Bonds as of March 31, 2003—2002 Series D Purchased Mortgage Loans” and “— 2002 Series D Trust Mortgage Loans.”

FHA Mortgage Insurance

Certain Mortgage Loans are insured under multi-family mortgage insurance programs administered by HUD, acting through FHA, as established pursuant to Sections 220, 221(d)(3), 221(d)(4) and 223(f) of the National Housing Act and the regulations thereunder (the "FHA Mortgage Loans"). As of March 31, 2003, approximately fifty (50) Mortgage Loans under the Program, with an aggregate outstanding balance of approximately \$261,275,621, are FHA Mortgage Loans; approximately six (6) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$4,632,072, relate to the 2002 Series D Purchased Mortgage Loans and are subject to a participation interest (see "Participation Interest Relating to the 2002 Series D Mortgage Loans" above). Subsequent to March 31, 2003, one (1) FHA Mortgage Loan with an outstanding balance of \$7,009,401 as of March 31, 2003, was prepaid.

The Corporation, as an FHA-approved mortgagee for the FHA Mortgage Loans, is eligible to receive FHA Insurance benefits in the event of a default under the FHA Mortgage Loans. FHA regulations define a default under an FHA insured mortgage (including the note incorporated therein) as: (1) a failure to make any payments due under such mortgage or (2) a failure to perform any other mortgage covenant (which includes the failure of the Mortgagor to keep the Project in good repair and covenants in the regulatory agreement executed in connection with such FHA insured mortgage) if the mortgagee, because of such failure, has accelerated the debt. In the event that there is a default beyond applicable notice and grace periods under the FHA regulatory agreement and FHA so requests, the mortgagee, at its option, may declare the whole indebtedness due and payable. Furthermore, the FHA regulations provide that upon notice of a violation of a mortgage covenant, FHA reserves the right to require the mortgagee to accelerate payment of the outstanding principal in order to protect FHA's interests. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements.

The Corporation has covenanted to take all steps reasonably necessary in its judgment to protect its rights with respect to the FHA Mortgage Loans, which shall include notifying FHA of a default under any FHA Mortgage Loan and otherwise complying with all applicable FHA Insurance procedures, including the timely assignment of any FHA Mortgage Loan in default, so as to avoid any loss or diminution of benefits receivable under the FHA Insurance program. The Corporation has further covenanted to take any and all action necessary or desirable to ensure that all such benefits are paid to the Corporation in cash. Following the occurrence of a default, the Corporation will, pursuant to the applicable Supplemental Resolution, assign the defaulted FHA Mortgage Loan to FHA.

The FHA Insurance benefits received in the event of any claim under the FHA Insurance contract will be subject to certain deductions. In addition, processing claims for FHA Insurance benefits involves certain time delays. Deductions in addition to those described below, processing delays and the procedures which must be followed in filing and perfecting a claim for FHA Insurance benefits are described in Appendix F hereto under the caption "The FHA Insurance Program."

The Corporation is entitled to settlement of an FHA insurance claim in cash in an amount equal to 99% of the amount of the principal balance of the defaulted FHA Mortgage Loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the Corporation for the benefit of the related Development and not assigned to FHA. FHA Insurance benefits include the payment of interest at the FHA debenture rate on the amount of the insurance claim from the date of default to the date the claim is paid (or such earlier date by which the mortgagee is required to file the election to assign the mortgage or complete submissions as described below, if the mortgagee fails to take

such action on a timely basis). The interest rate on the FHA debentures is the rate in effect as of the date of the commitment for FHA Insurance or as of the date of initial endorsement of the mortgage note by FHA, whichever is higher. In the case of a monetary default, the date of default is deemed to be the date on which payment on the FHA Mortgage Loan originally should have been received. Since interest is paid one month in arrears on the FHA Mortgage Loans, the Corporation, in the event of a claim for FHA Insurance benefits, will not be reimbursed for interest which has accrued in the previous month and was due and payable on the date of default.

Under FHA regulations, if the Corporation receives proceeds from any policy of casualty insurance, it may not exercise its option under the mortgages related to the FHA Mortgage Loans to use such proceeds for either rebuilding the Developments, prepaying the mortgage notes or for any other disposition without FHA's prior written approval. If FHA fails to give its approval to the use of the insurance proceeds within thirty (30) days after written request by the Corporation, the Corporation may use or apply the funds for the purposes specified in such mortgages without prior FHA approval.

The failure to maintain adequate casualty insurance on a Development may result in the partial or full loss of the FHA Insurance benefits in the event of damage to or destruction of such Development. FHA Insurance benefits may also be lost for failure to pay required FHA mortgage insurance premiums or failure to provide FHA with required notices. FHA Insurance benefits may also be denied if fraudulent statements were made to FHA by the Corporation or by the Mortgagor with the knowledge of the Corporation.

For additional information regarding the FHA Insurance program, see Appendix F hereto under the caption "The FHA Insurance Program."

The Section 236 Program

As of March 31, 2003, sixteen (16) Mortgage Loans under the Program, with an aggregate outstanding balance of approximately \$249,215,713, are Mortgage Loans on Section 236 Developments; four (4) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$45,465,025, relate to the 2002 Series D Trust Mortgage Loans which are subject to a participation interest (see "Participation Interest Relating to the 2002 Series D Mortgage Loans" above). The Corporation is the Section 236 mortgagee for all of the Section 236 Developments except for the 2002 Series D Trust Mortgage Loans.

Pursuant to Section 236, the Secretary of HUD (the "Secretary") entered into Section 236 Contracts to make periodic interest reduction payments to the Section 236 mortgagee on behalf of the Mortgagors of the Section 236 Developments which were designed for occupancy by persons and families of low income. HUD's interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal and interest which a Mortgagor is obligated to pay under its Mortgage Loan and the monthly payment for principal and interest which a Mortgagor would be obligated to pay if its Mortgage Loan were to bear interest at the rate of one per centum (1%) per annum. Under Section 236, interest reduction payments (the "HUD Payments") with respect to a Section 236 Development shall be made only during the period that such Development is operated as a rental or cooperative housing project.

HUD is obligated to make HUD Payments under a Section 236 Contract and may not terminate or reduce HUD Payments under a Section 236 Contract, except under the circumstances described in Appendix F hereto under the caption "The Section 236 Program," including, but not limited to, certain

foreclosure actions instituted by the Corporation (see “Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy” below and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans”). If HUD Payments are terminated, the Secretary may reinstate them at his or her discretion pursuant to such additional requirements as the Secretary may prescribe. A Section 236 Contract may be terminated at the option of, and upon written notice from, the Secretary after the expiration of one year from the date of the termination of HUD Payments, unless such payments have been reinstated. In the event HUD were to terminate HUD Payments in respect of a Mortgage Loan secured by a Section 236 Contract (a “Section 236 Mortgage Loan”), such terminated HUD Payments would not be available to pay debt service on such Section 236 Mortgage Loan, which could result in a default on such Mortgage Loan. Except for the Mortgage Loans financed in connection with the 2001 Series B Bonds, the Section 236 Mortgage Loans do not benefit from FHA Insurance.

Each Section 236 Contract provides that the Mortgagor shall pay monthly to HUD all rental charges collected in excess of the basic rental charges for all occupied units (“Excess Income Payments”). Prior to April 1996, mortgagors were permitted to calculate the amount of Excess Income Payments payable to HUD on a project-wide basis, which enabled mortgagors to use Excess Income Payments to offset collection losses from nonpaying tenants. Section 236 was amended to require that, beginning in 1996, Excess Income Payments must be remitted to HUD on a unit-by-unit basis, thus precluding the ability of mortgagors to use such Excess Income Payments to offset collection losses and potentially reducing the income available to the projects. HUD has previously stated that it would implement strict enforcement actions against an owner of a project who does not remit excess rental amounts (see Appendix F hereto under the caption “The Section 236 Program—Excess Income”).

As a result of this legislative change, the Mortgagors of the Section 236 Developments are required to remit a greater amount of Excess Income Payments to HUD unless, as described below, HUD permits them to retain all or a portion of such Excess Income Payments. Based solely on a review of the most recent information submitted to it by the Mortgagors of the Section 236 Developments where the Corporation is the Section 236 mortgagee (which relate to the Section 236 Mortgage Loans other than the underlying 2002 Series D Trust Mortgage Loans), the Corporation believes that such Mortgagors are current on the Excess Income Payments due to HUD. No assurance can be given as to the impact of the revised Section 236(g) in the current or any future fiscal year on the ability of the Mortgagors of the Section 236 Developments to cover operating expenses and debt service on their respective Section 236 Mortgage Loans without requiring an increase in rents after Excess Income Payments are remitted to HUD. In 1999, Congress passed the “Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act” as part of HUD’s Fiscal Year 2000 Appropriations Act (the “1999 Act”). This and subsequent legislation allow Mortgagors of Section 236 Developments to retain excess rents for project purposes if consented to by HUD. The 1999 Act also permits Mortgagors of Section 236 Developments to refinance their mortgages (if the mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy, which HUD generally refers to as its Section 236 “decoupling” program. As of March 31, 2003, none of the Mortgagors of the Section 236 Developments where the Corporation is the Section 236 mortgagee have advised the Corporation that it intends to refinance its mortgage while retaining the Section 236 subsidy.

Each Mortgagor has covenanted in the Section 236 Contract to limit admission to the subsidized dwelling units in the Section 236 Development to those families whose incomes do not exceed the applicable limits approved by the Section 236 mortgagee or the Secretary, with the exception of those tenants who agree to pay fair market rent. The Secretary has the authority to terminate HUD Payments at

any time upon default by a Mortgagor under any of such covenants as well or upon any other default by a Mortgagor or the Section 236 mortgagee under the terms and conditions of the Section 236 Contract.

Each Mortgagor covenanted in the applicable Section 236 Mortgage Loan documents where the Corporation is the Section 236 mortgagee not to prepay such Mortgage Loan prior to 20 years from the date the Section 236 Development was occupied. Each such Mortgage Loan permits the Mortgagor to prepay such Mortgage Loan at any time after such date (see “Appendix E-3—Mortgage Loan Prepayment Provisions—Category 10” and “—Category 31”). Based on the Section 236 Developments’ certificates of occupancy, the period during which prepayment is prohibited under such Section 236 Mortgage Loans has ended. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than certain Bonds including the 2003 Series D Bonds) at any time. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal,” “—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal” and “—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal.” For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.”

Each Section 236 Development was constructed and is operated as a limited-profit housing project or a cooperative under the Mitchell-Lama Law. See “The Mitchell-Lama Program” below. For additional information regarding the Section 236 program, see Appendix F hereto under the caption “The Section 236 Program.”

The Section 8 Program

With respect to certain Developments, the Corporation, HPD or HUD, as the administrator (the “Administrator”) under a housing assistance payment contract (“HAP Contract”), and the Mortgagor have entered into a HAP Contract approved by HUD pursuant to which the Mortgagor receives subsidy payments on behalf of low income tenants under the housing assistance payments program authorized by Section 8 (the “Section 8 Developments”) of the United States Housing Act of 1937, as amended (the “1937 Housing Act”). As of March 31, 2003, approximately fifty (50) Mortgage Loans under the Program, with an aggregate outstanding balance of approximately \$176,509,292, are Mortgage Loans on Section 8 Developments; approximately twenty-one (21) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$10,113,558, relate to the 2002 Series D Purchased Mortgage Loans and are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” above). Subsequent to March 31, 2003, one (1) Mortgage Loan on a Section 8 Development, with an outstanding balance of \$7,009,401 as of March 31, 2003, was prepaid.

The housing assistance payments are project-based, i.e. such payments remain available for each Section 8 Development so long as the owner is in compliance with the HAP Contract. Generally, this project-based variant of the Section 8 program is no longer funded by HUD for new developments, although subsidies continue as required by contract for the Section 8 Developments.

The Section 8 program is administered by HUD and authorizes subsidy payments to the owners of qualified housing for the benefit of lower income families (defined generally as families whose incomes do not exceed 80% of the median income for the area as determined by HUD) and very low income families (defined generally as families whose incomes do not exceed 50% of the median income for the area as defined by HUD). The housing assistance payments generally represent the difference between the “contract rents” on all eligible units in a development, as approved by HUD from time to

time, and the eligible tenant's contribution, which is generally 30% of such tenant's income as adjusted for family size, income and expenses. The housing assistance payments made by HUD, together with any tenants' rental payments, are available to the owner to pay debt service on the mortgage for the development, operating costs for such development, and except in the case of owners organized as nonprofit entities, a return on the owner's initial equity in the development.

The HAP Contracts for most of the Section 8 Developments expire prior to the respective maturity dates of the related Mortgage Loans. Since payments received under the HAP Contracts constitute a primary source of revenues for the related Developments, the expiration of the HAP Contracts (without renewal or replacement) would have a material adverse impact on the ability of the related Developments to generate revenues sufficient to pay the principal of and interest on the related Mortgage Loans. There can be no assurance that the HAP Contracts will be renewed or replaced. Legislation has been enacted that makes fundamental changes with respect to the renewal of Section 8 contracts. In the event of the expiration of one or more of the HAP Contracts (without renewal or replacement), there is a likelihood of a default on one or more of the related Mortgage Loans. In the case of Section 8 Developments with FHA Mortgage Loans, the Mortgage Loan(s) would be assigned to FHA for FHA Insurance benefits. Upon receipt of such FHA Insurance benefits or proceeds received from enforcement actions (including foreclosure) of a defaulted Mortgage Loan not subject to supplemental security, the Corporation may elect to redeem an allocable portion of the Bonds (other than certain Bonds including the 2003 Series D Bonds). See "DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal," "—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal" and "—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal." For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see "SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information." See "Certain Factors Affecting the Mortgage Loans" below. See Appendix E-1 hereto for the date of expiration of the HAP Contracts.

The Corporation is the Administrator under all but twenty-two (22) of the HAP Contracts for the Section 8 Developments; HPD is the Administrator for twenty-one (21) Developments, which are subsidized under the Section 8 moderate rehabilitation program, and HUD is the Administrator for the remaining Section 8 Development. If HUD determines that the Administrator has failed to fulfill its obligations under the Section 8 program, HUD may, after notice to the Administrator giving it a reasonable opportunity to take corrective action, require that the Administrator assign to it all rights under the HAP Contract. The Corporation has, to date, never been notified by HUD that it has failed to fulfill its obligations with respect to any of the Developments.

In recent years there has been substantial concern among members of Congress and the Executive Branch, including HUD officials, about expiring subsidy contracts under the various programs operating pursuant to Section 8 of the 1937 Housing Act. A primary focus has been projects, such as certain of the Section 8 Developments, which have FHA insured mortgages with terms ranging from 30 to 40 years and which have Section 8 HAP Contracts with substantially shorter terms.

The so-called Mark-to-Market program was established by the "Multifamily Assisted Housing Reform and Affordability Act of 1997" enacted as part of HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65 (as amended several times thereafter, the "1997 Act"). Under the Mark-to-Market program, many FHA-insured Section 8 projects with expiring HAP Contracts are eligible to receive continuing Section 8 assistance through contract renewals. Renewed contracts may have terms from one to twenty years, subject to Congressional appropriations. As noted above, absent such appropriations,

there is no assurance that funds will be available under these contracts. Additionally, FHA-insured Section 8 developments with expiring HAP Contracts and above-market rents may be eligible for restructuring plans and, upon restructuring, to receive continuing Section 8 assistance pursuant to contracts subject to Congressional appropriations. These restructuring plans may include partial or full prepayment of mortgage debt intended to reduce Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance, and in certain cases is designed to result in a change from “project-based” to “tenant-based” Section 8 payments. The 1997 Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner.

The 1997 Act contained distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 projects for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Such projects, including the Section 8 Developments, are, under the 1997 Act, excluded from restructuring and instead are eligible for renewals at the lesser of (i) existing rents, adjusted by an operating cost adjustment factor established by HUD, (ii) a budget-based rent, or (iii) in the case of certain “moderate rehabilitation” Section 8 assistance contracts, the lesser of (x) existing rents, adjusted by an operating cost factor determined by HUD, (y) existing fair market rents (less any amounts allowed for tenant purchased utilities), or (z) comparable market rents for the market area. Under current HUD policy, existing fair market rents for moderate rehabilitation projects means 120% of HUD’s published existing fair market rents.

Under the 1999 amendments to the 1997 Act, as interpreted by HUD in its implementing guidelines, Section 8 developments with FHA insured mortgages for which the primary financing was provided by a unit of state or local government are subject to the Mark-to-Market program unless the implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. The 1999 amendments also provide for a new program for preservation of Section 8 developments that allows increases in Section 8 rent levels for certain Section 8 developments (including Section 236 Developments which also have project-based HAP Contracts) that have below market rents, to market-rate or near market-rate levels.

Contract rents available upon any renewal may be significantly lower than the current Section 8 contract rents in the Section 8 Developments, and the corresponding reduction in housing assistance payments for such Developments would materially adversely affect the ability of the Mortgagors of such Developments to pay the currently scheduled principal and interest on the related Mortgage Loans. Any termination or expiration of HAP Contracts without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a Mortgagor, poor condition of the project or other causes) would also have a material adverse impact on the ability of the related Section 8 Developments to generate revenues sufficient to pay the currently scheduled principal of and interest on the related Mortgage Loans. See “Appendix E-1— Developments and Mortgage Loans Outstanding Under the Program” for a description of the Mortgage Loans and the expiration dates of the HAP Contracts.

A reduction in Section 8 contract rents or the termination or expiration of the HAP Contract (without renewal or replacement with other project-based assistance, or without prepayment, forgiveness, write-down or refinancing as described below), as described in the previous paragraphs, could thus result in a default under the Mortgage Loan for the related Section 8 Development. Except for twenty (20)

Mortgage Loans financed by the 2002 Series D Bonds, all of the Section 8 Developments are financed with FHA Mortgage Loans. One of the Developments under the Program with an FHA Mortgage Loan, President Arms, had its Section 8 contract rents recently reduced by HUD. The mortgagor of this Development is in the process of negotiating a restructuring of the related Mortgage Loan with FHA which, if not completed, would mean that the amount of the Mortgage Loan would not be reduced; therefore, a default under this Mortgage Loan could occur. Nonetheless, if any or all of such Mortgage Loans were to default, FHA insurance benefits received by the Corporation or proceeds from enforcement actions (including foreclosure) regarding those Mortgage Loans not subject to supplemental security, together with monies held in the Accounts under or pursuant to the General Resolution, including the Debt Service Reserve Account, are expected to be sufficient to redeem, pursuant to a special redemption from Recoveries of Principal, an allocable portion of the Bonds (other than certain Bonds including the 2003 Series D Bonds) in the event the Corporation is required or elects to redeem Bonds with such funds. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal,” “—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal” and “—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal.” For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.” Moreover, in the event of such partial redemption, sufficient monies are expected to be available from the remaining Mortgage Loans, the Debt Service Reserve Account and earnings on all monies held in the Accounts maintained under the Resolutions to continue to make timely payments of scheduled principal of and interest on the remaining Outstanding Bonds.

The restructuring plans established by the 1997 Act referred to above, as a general matter, contemplate restructuring FHA insured mortgage loans on certain Section 8 projects through a nondefault partial or full prepayment of such loans. Nondefault partial or full prepayment or similar forgiveness or write-down of mortgage debt pursuant to a restructuring of these Mortgage Loans could result in the special redemption from Recoveries of Principal of an allocable portion of the Bonds (other than certain Bonds including the 2003 Series D Bonds) at any time with the proceeds the Corporation receives from any such prepayment, forgiveness or write-down. In addition, the Mortgagors of these Mortgage Loans could opt to refinance their Mortgage Loans in full, pursuant to Section 223(a) (7) of the FHA regulations, which could also result in the special redemption from Recoveries of Principal of an allocable portion of the Bonds (other than certain Bonds including the 2003 Series D Bonds) at any time with the proceeds the Corporation receives from any such refinancing. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal,” “—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal” and “—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal.” For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.” See Appendix E-1 hereto for a description of the Mortgage Loans and the expiration dates of the HAP Contracts. See also “SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates.”

For additional information regarding the Section 8 program, see Appendix F hereto under the caption “The Section 8 Program.”

REMIC Insurance

Certain Mortgage Loans are partially insured by REMIC. As of March 31, 2003, twenty-six (26) Mortgage Loans under the Program, with an aggregate outstanding balance of \$144,405,307, are partially insured by REMIC. The REMIC Master Policy of Insurance (the "REMIC Policy"), which covers a specified percentage of the original Mortgage Loan amount for each insured Mortgage Loan on a first loss basis, requires each insured lender benefiting from REMIC Insurance (an "Insured") to notify REMIC within forty-five (45) days after a payment default by a Mortgagor on an insured Mortgage Loan and to provide various additional notices during the period of default. When a Mortgagor fails to pay a total aggregate amount equal to four regular monthly payments of principal and interest, and any escrow payments due under the terms of an insured Mortgage Loan, disregarding any waivers or extensions by the Insured (termed "Four Months in Default" under the REMIC Policy), and assuming such notices have been timely submitted and other preconditions have been met, the Insured may make a claim for REMIC Insurance benefits.

Upon receipt of a notice of default under an insured Mortgage Loan, REMIC has the right to purchase the Mortgage Loan from the Insured for a price equal to the unpaid principal balance thereof and all "Allowed Costs" (defined to mean delinquent interest, taxes, attorney fees and the like) not previously reimbursed by REMIC. Thereafter, REMIC is to receive an assignment of the Mortgage Loan and all reserves held for the credit of the related Development. The Insured may also request, if the Mortgage Loan is Four Months in Default, that REMIC enter into (i) a periodic payment plan lasting no more than two years during which time the Insured is to receive from REMIC on a quarterly basis the amounts due on the Mortgage Loan net of the operating income from the Development assigned by the Mortgagor to the Insured, or (ii) where there is no reasonable expectation that there will be a cure of the Mortgage Loan default, a lump sum payment agreement requiring payment by REMIC to the Insured of an amount equal to the average of two quoted market valuations of the property plus the REMIC insurance coverage (the "Coverage Percentage") of Allowed Costs. At the end of the two year periodic payment plan period, any additional insurance benefits due to the Insured are to be paid by REMIC. In the case of both a periodic payment plan and a lump sum payment plan, total insurance benefits paid may not exceed the lesser of (x) the Coverage Percentage of the full Claim for Loss (defined below), or (y) the Coverage Percentage of the Mortgage Loan principal amount as initially insured.

Unless the related Mortgage Loan is purchased by REMIC, or a periodic payment plan or lump sum payment plan has been executed, as described above, the Insured is required by the REMIC Policy to commence proceedings to obtain title to the Development when the insured Mortgage Loan becomes Four Months in Default (although the Insured is free to commence such proceedings upon any default). However, upon consent of REMIC or satisfaction of certain other conditions, actions, including foreclosure proceedings, may be undertaken in which title to the property will pass to a third party.

In the event that the Insured obtains title to the Development, the Insured may present a claim under the REMIC Insurance and REMIC, at its option, will pay insurance benefits in either of the following amounts:

(a) the full "Claim for Loss," consisting of the Mortgage Loan principal balance as of the date of default and Allowed Costs but net of reserves held for the Development and net of any portion of the claim attributable to Insured fault or previously reimbursed to the Insured, in which case title to the Development is to be transferred to REMIC, or

(b) a percentage of the full Claim for Loss equal to the Coverage Percentage thereof, but not in excess of the Coverage Percentage of the Mortgage Loan principal amount as initially insured, in which case the Insured is to retain title to the Development.

If proceedings are undertaken in which title to the property passes to a third party, the Insured may claim under the REMIC Insurance for payment of the full Claim for Loss, net of the amounts realized by the Insured from such proceedings, but never in excess of the Coverage Percentage of the Mortgage Loan principal amount as initially insured.

For specific information on the coverage provided by REMIC Insurance, reference should be made to the applicable REMIC commitment and the Master Policy issued by REMIC, which are available at the offices of the Corporation.

The REMIC Insurance may terminate pursuant to its terms upon the occurrence of certain events including, without limitation, the nonpayment of renewal premium, the material modification of the Mortgage without the prior written approval of REMIC, and the disposal of property or collateral securing the Mortgage Loan prior to the final settlement of a claim for loss.

For additional information regarding REMIC Insurance, see Appendix F hereto under the caption “The REMIC Insurance Program.”

The Mitchell-Lama Program

The Mitchell-Lama program was created to facilitate the construction and continued operation of affordable moderate and middle income rental and cooperative housing in the State of New York. Many of the Corporation’s projects, including all of the Section 236 Developments and the Unsubsidized Developments, are regulated under the Mitchell-Lama program. Each rental project in the Mitchell-Lama program was constructed and is operated as a limited-profit housing project or a cooperative in accordance with the Mitchell-Lama Law. As of March 31, 2003, approximately fifty-eight (58) Mortgage Loans under the Program, with an aggregate outstanding balance of approximately \$347,055,301 are Mortgage Loans regulated under the Mitchell-Lama Law; approximately six (6) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$15,737,559, relate to the 2002 Series D Purchased Mortgage Loans, and approximately forty (40) of such Mortgage Loans, with an aggregate outstanding balance of approximately \$127,567,054, relate to the 2002 Series D Trust Mortgage Loans, all of which are subject to a participation interest (see “Participation Interest Relating to the 2002 Series D Mortgage Loans” above).

HPD has supervisory authority over the Developments in the Mitchell-Lama program; however, for those Section 236 Developments that benefit from FHA Insurance, HUD assumes certain supervisory responsibility. HPD regulates the Developments’ tenant income limits and building replacement reserve requirements. HPD oversees rental procedures including the renting of vacant units, the establishment of waiting lists and the advertising process relating thereto. HPD approves the admission of new tenants as well as the transfer of existing tenants to other units in a regulated Development. HPD also verifies initial and annual income certifications submitted by tenants to ensure that the tenant income requirements of the Mitchell-Lama program are maintained. Tenants with incomes in excess of Mitchell-Lama program income requirements are required to pay rent surcharges to such Development’s owners. HPD conducts a periodic physical inspection of the common areas of the regulated Developments in order to assess property maintenance levels. However, for those Section 236 Developments that benefit from FHA

Insurance, HUD, among other things, oversees building replacement reserve requirements and approves rent increases.

Other than with respect to the 2002 Series D Mortgage Loans, the Act empowers the Corporation, and the General Resolution requires the Corporation (whenever it shall find that the maximum rentals, which are charged tenants of the dwellings in any regulated Development, in whole or in part, shall not be sufficient together with all other income of the Mortgagor to meet within reasonable limits all necessary payments to be made by the Mortgagor of all expenses, including fixed charges, sinking funds, reserves and dividends) to request the Mortgagor to make application to HPD to vary such rentals so as to secure sufficient income, and upon the Mortgagor's failure to do so within thirty (30) days after the receipt of written request from the Corporation, to request HPD to take action upon HPD's own motion so to vary such rental rate, and upon failure of HPD either upon application by the Mortgagor or upon its own motion so to vary such rental rate within sixty (60) days after receipt of written request from the Corporation to do so, to vary such rental rate by action of the Corporation. Any such rental increases in Section 236 Developments benefitting from FHA Insurance shall also be subject to the approval of HUD. The Corporation has only taken such actions relating to rental increases with respect to one (1) Development, which was done in 1978.

The Mitchell-Lama Law permits the Mortgagor to prepay its Mortgage Loan and the Development to be released from HPD regulation after twenty years from the date of initial occupancy if certain procedural steps are followed. Upon such prepayment, all real estate tax exemptions, FHA Insurance and Section 236 program benefits (unless such Mortgage Loan is restructured pursuant to HUD's decoupling program), if applicable, would terminate. Each Mortgagor covenanted in the applicable Mortgage Loan for the Section 236 Developments not to prepay such Mortgage Loan prior to 20 years from the date the applicable Development was occupied; however, such Mortgage Loan permits the Mortgagor to prepay such Mortgage Loan at any time after such date (see Appendix E-3 hereto under the captions "Category 10" and "Category 31"). Based on the Section 236 Developments' certificates of occupancy, the period during which prepayment is prohibited under such Section 236 Mortgage Loans has ended. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than certain Bonds including the 2003 Series D Bonds) at any time. See "DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal," "—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal" and "—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal." For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see "SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information."

For additional information regarding the Mitchell-Lama program, see Appendix F hereto under the caption "The Mitchell-Lama Program."

Certain Factors Affecting the Mortgage Loans

Scheduled Payments of Principal and Interest

The ability of the Corporation to pay the principal or redemption price of and interest on the Bonds is dependent on the Revenues derived from the assets pledged to secure the Bonds, including the Mortgage Loans, and with respect to such Mortgage Loans, the full and timely receipt of subsidy payments, if any, and the proceeds under the applicable supplemental security program, if any, in the event of a default on a Mortgage Loan. The ability of each Mortgagor to make the required payments

under its Mortgage Loan is and will be affected by a variety of factors, including the maintenance of a sufficient level of occupancy, the maintenance of the physical condition of its Development, the level of operating expenses, sound management of its Development, timely receipt of subsidy payments, as applicable, the ability to achieve and maintain rents sufficient to cover payments under such Mortgage Loan and operating expenses (including taxes, utility rates and maintenance costs), any changes in the amount of subsidy payments, if any, changes in applicable laws and governmental regulations and the financial condition of the Mortgagor. In addition, the continued feasibility of a Development may depend in part upon general economic conditions and other factors in the surrounding area of a Development. Accordingly, in the event of the occurrence of substantial increases in operating costs without corresponding increases in rent levels on a timely basis or substantial reductions in occupancy or a reduction, loss or termination of subsidy payments, there may be a default with regard to one or more of the Mortgage Loans. In the event of any such default, the Corporation is required to apply for payment of proceeds under the applicable supplemental security program, if any, due with regard to any such Mortgage Loan. In the event of any such default where such Mortgage Loan is not secured by supplemental security such as FHA Insurance, SONYMA Insurance, REMIC Insurance or GNMA Securities, such mortgage lien would likely be the sole security for repayment of such Mortgage Loan (see “New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures” below and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans”). Such proceeds, when received, together with other monies available under or pursuant to the General Resolution may be applied to redeem an allocable portion of the Bonds; provided, however, that (i) the only Recoveries of Principal which may be applied to redeem the 2003 Series D Bonds pursuant to a special redemption from Recoveries of Principal are those derived from an underlying 2003 Series D Purchased Mortgage Loan, (ii) no Series of Bonds other than the 2002 Series D Bonds may be redeemed pursuant to a special redemption from Recoveries of Principal with Recoveries of Principal derived from any underlying 2003 Series D Purchased Mortgage Loan or any 2003 Series D Purchased Development and (iii) Recoveries of Principal derived from or with respect to any underlying 2003 Series D Purchased Mortgage Loan or 2003 Series D Purchased Development shall only be deposited in the Redemption Account and may not be deposited in the Bonds Proceeds Account or the Revenue Account. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal,” “—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal” and “—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal.” For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.” For a discussion of supplemental security, subsidy and Mitchell-Lama programs and Subordinate Loan/Grant Programs, see Appendix F hereto.

Prepayments of Principal

The Corporation may receive amounts relating to the principal of the Mortgage Loans financed with the proceeds of the Bonds prior to the scheduled due date of such principal. As of April 1, 2003, principal prepayments are permitted: (i) at the option of the applicable Mortgagor with respect to approximately 487 Mortgage Loans with an aggregate outstanding principal balance as of March 31, 2003 of \$977,441,898 and (ii) at the option of the applicable Mortgagor with the approval of FHA and/or the Corporation with respect to three (3) Mortgage Loans with an aggregate outstanding principal balance as of March 31, 2003 of \$5,421,390. Subsequent to March 31, 2003, the Mortgagor of one (1) Development under the Program described in (i) above, Lexington Gardens, prepaid its Mortgage Loan, which Mortgage Loan had an outstanding balance of \$7,009,401 as of March 31, 2003. With respect to three (3) Developments under the Program described in (i) above, Hamilton Heights Terrace, Will’A View

Apartments and 1010 Development, the Mortgagors of these Developments have notified the Corporation in writing of their intent to prepay their Mortgage Loans, which Mortgage Loans had an aggregate outstanding principal balance of \$11,917,199 as of March 31, 2003. With respect to two (2) Developments under the Program described in (ii) above, President Arms and Prospect Arms, the Corporation has been notified that the Mortgagors of these Developments are in the process of restructuring their Mortgage Loans, which had an aggregate outstanding principal balance of \$3,788,999 as of March 31, 2003; such restructuring may include the possible prepayment of these Mortgage Loans. See Appendix D and Appendix E hereto. Optional prepayments of principal with respect to the remaining Mortgage Loans financed under the Program are not currently permitted to be made by the applicable Mortgagor. In addition, all of the Mortgage Loans are subject to prepayment of principal in whole or in part from proceeds of insurance or condemnation. Prepayments of principal may be subject to other terms and conditions, including the payment of penalties and premiums. There may be certain other restrictions outside the Mortgage Loan documents that limit the ability of the applicable Mortgagor to prepay.

From time to time the Corporation has received inquiries or expressions of interest from Mortgagors regarding the possible prepayment or refinancing of their respective Mortgage Loans. There can be no assurance as to whether these or other Mortgagors will prepay or refinance their respective Mortgage Loans. See Appendix E-1 hereto. There may be certain other restrictions outside the Mortgage Loan documents that limit the ability of the applicable Mortgagor to prepay. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than certain Bonds including the 2003 Series D Bonds) at any time. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal,” “—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal” and “—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal.” For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.”

For a more detailed discussion of the prepayment terms and conditions for all of the outstanding Mortgage Loans under the Program, see Appendix E-3 hereto which sets forth each of the categories of prepayment provisions. The expected prepayment features of the 2003 Series B Mortgage Loans are described in Category 35, the expected prepayment features of the 2003 Series C Mortgage Loan are described in Category 36 and the expected prepayment features of the 2003 Series D Mortgage Loans are described in Category 31 and Category 37. Any prepayment premium or penalty described in Appendix E-3 hereto (except for the premium described in Category 9, Category 18, Category 21, Category 23, Category 24 and Category 26) shall not constitute a Pledged Receipt or Recovery of Principal.

Under the General Resolution, advance payments of amounts to become due pursuant to a Mortgage Loan, including those made at the option of a Mortgagor, shall be deposited in the Redemption Account. Unless specifically directed otherwise by written instructions of an Authorized Officer of the Corporation and accompanied by a Cash Flow Statement, any monies in the Redemption Account resulting from such Recoveries of Principal shall be applied to the purchase or redemption of Bonds of the Series issued to finance the Mortgage Loans which gave rise to the Recoveries of Principal.

Notwithstanding the preceding paragraph, Recoveries of Principal are to be deposited in the Redemption Account and used to purchase or redeem Bonds unless the Corporation files a Cash Flow Statement with the Trustee, in which case the Corporation may deposit such Recoveries of Principal in the Bond Proceeds Account or the Revenue Account in lieu of applying such monies to purchase or

redeem Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Bond Proceeds Account” and “—Revenue Account” with respect to the right of the Corporation to apply prepayments of the Mortgage Loans for purposes other than the purchase or redemption of Bonds and the right of the Corporation to withdraw surplus revenues in the Revenue Account from the pledge and lien of the General Resolution. However, (i) the only Recoveries of Principal which may be applied to redeem the 2003 Series D Bonds pursuant to a special redemption from Recoveries of Principal are those derived from an underlying 2003 Series D Purchased Mortgage Loan, (ii) no Series of Bonds other than the 2003 Series D Bonds may be redeemed pursuant to a special redemption from Recoveries of Principal with Recoveries of Principal derived from any underlying 2003 Series D Purchased Mortgage Loan or any 2003 Series D Purchased Development and (iii) Recoveries of Principal derived from or with respect to any underlying 2003 Series D Purchased Mortgage Loan or any 2003 Series D Development shall only be deposited in the Redemption Account and may not be deposited in the Bond Proceeds Account or the Revenue Account. See “DESCRIPTION OF THE 2003 BONDS—Redemption Provisions for the 2003 Series B Bonds—Special Redemption from Recoveries of Principal,” “—Redemption Provisions for the 2003 Series C Bonds—Special Redemption from Recoveries of Principal” and “—Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal.” For a description of the specific cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.”

New York Foreclosure Procedures and Bankruptcy

Below are descriptions of current foreclosure procedures in New York State and current bankruptcy provisions for mortgage loans generally. Such descriptions are relevant for Mortgage Loans under the Program not fully secured by supplemental security.

New York Foreclosure Procedures. In order to recover the debt due on a defaulted mortgage loan, the holder of the mortgage loan may either commence an action on the mortgage debt or commence an action to foreclose the mortgage. New York law restricts the ability of the holder of a mortgage loan to simultaneously bring an action to recover the mortgage debt and foreclose the mortgage. For purposes of these restrictions, actions to recover the mortgage debt include actions against the party primarily liable on the mortgage debt, actions against any guarantor of the mortgage debt and actions on insurance policies insuring the mortgaged premises. If an election is made to commence an action to foreclose the mortgage, no other action on the mortgage debt may be commenced to recover any part of the mortgage debt without leave of court. If an election is made to commence an action on the mortgage debt, where final judgment has been rendered in such an action, an action may not be commenced to foreclose the mortgage unless the sheriff has been issued an execution against the property of the defendant, which has been returned wholly or partially unsatisfied. In addition, there is New York case law indicating that if an action is commenced on the mortgage debt where final judgment has not been rendered and a subsequent action is commenced to foreclose the mortgage, then the action on the mortgage debt must be stayed or discontinued to prevent the mortgagee from pursuing both actions simultaneously.

In addition to bringing an action to foreclose a mortgage, New York law provides the alternative of foreclosure by advertisement. Foreclosure by advertisement is available only where the mortgage grants the power to foreclose by advertisement, and, as is the case with foreclosure by action, there are restrictions on the ability of the holder of the mortgage to simultaneously foreclose by advertisement and bring an action on the debt secured by the mortgage. Although foreclosure by advertisement is authorized by statute, it is currently not used in New York as a matter of practice because

of, among other things, difficulties in complying with the statute's technical requirements and questions as to the constitutionality of the process.

Where a foreclosure action is brought, every person having an estate or interest in possession or otherwise in the property whose interest is claimed to be subject and subordinate to the mortgage must be made a party defendant to the action in order to have its interest in the property extinguished. At least twenty (20) days before a final judgment directing a sale is rendered, the mortgagee must file, in the clerk's office for the county where the mortgaged property is located, a notice of the pendency of the action. Judicial foreclosure in New York is a lengthy process, as judicial intervention is required at all stages, including but not limited to (1) the appointment of a referee to compute the amount due, (2) the appointment of a receiver to operate the property during the pendency of the action, (3) the confirmation of the referee's oath and report, (4) the issuance of the judgment of foreclosure and sale, (5) the confirmation of the sale and (6) the issuance of a deficiency judgment and/or rights to surplus monies. If during the pendency of the action the mortgagor pays into court the amount due for principal and interest and the costs of the action together with the expenses of the proceedings to sell, if any, the court will (i) dismiss the complaint without costs against the mortgagee if the payment is made before judgment directing the sale or (ii) stay all proceedings upon judgment if the payment is made after judgment directing sale but before sale.

Where the mortgage debt remains partly unsatisfied after the sale of the property, the court, upon application, may award the mortgagee a deficiency judgment for the unsatisfied portion of the mortgage debt, or as much thereof as the court may deem just and equitable, against a mortgagor who has appeared or has been personally served in the action. Prior to entering a deficiency judgment the court determines the fair and reasonable market value of the mortgaged premises as of the date such premises were bid in at auction or such nearest earlier date as there shall have been any market value thereof. In calculating the deficiency judgment, the court will reduce the amount to which the mortgagee is entitled by the higher of the sale price of the mortgaged property and the fair market value of the mortgaged property as determined by the court.

The mortgagee may also, at its discretion, negotiate with the delinquent mortgagor to offer a deed in lieu of foreclosure to the mortgagee, where appropriate. In some situations this would allow the mortgagee to reduce the cost of, and the time involved in, acquiring the property.

Most of the Mortgage Loans under the Program are non-recourse to the Mortgagor. Therefore, the Corporation may only have limited rights to pursue the enforcement of an action on the debt. Consequently, with respect to such Mortgage Loans, the above provisions relating to an action on the mortgage debt, as opposed to a foreclosure action, are not applicable.

The Section 236 Contracts for the Section 236 Developments at Linden Plaza and Ocean Park provide that the Secretary may terminate the HUD Payments under the Section 236 Contract if an action of foreclosure is instituted by the Corporation unless the foreclosure proceeding is instituted by the Corporation subject to the continuing lien of the respective Mortgage, and such Development is acquired by a purchaser eligible to be an owner under Section 236. The Section 236 Contracts for the Washington Plaza/Independence Plaza and the Knickerbocker Plaza Developments provide that HUD Payments under the Section 236 Contracts shall terminate if the related Development is acquired by the Corporation or by any ineligible owner, and also provide that the Secretary may terminate HUD Payments if an action of foreclosure is instituted, unless the Secretary approves a plan providing for continuity of eligibility of the related Development for receiving HUD Payments. It may not be possible, under New York foreclosure procedures to complete a foreclosure sale subject to the continuing lien of the mortgage being foreclosed.

Under Pub. L. 98-473, enacted in 1984, contract authority which would otherwise be subject to recapture by HUD at the time of termination of a contract for Section 236 interest reduction payments as a result of a foreclosure of the mortgage loan on a development shall remain available for such development for the balance of the contract term, and the Secretary is directed to offer to execute new Section 236 Contracts with the new owners of such projects, subject to satisfaction of statutory eligibility requirements. On this basis the Corporation believes that, notwithstanding the language of the Section 236 Contracts, in the event of a foreclosure of a Section 236 Mortgage Loan not subject to FHA Insurance (which also would include 2002 Series D Trust Mortgage Loans with Section 236 Contracts), the Secretary would enter into a contract for Section 236 interest reduction payments with the new owner, subject to the satisfaction of statutory eligibility requirements, the availability of appropriations and the willingness of the mortgagee to enter into a new contract for interest reduction payments.

With respect to the underlying 2002 Series D Purchased Mortgage Loans, the Corporation entered into a special servicing agreement with HPD and the 2002 Facilitation Trust which sets forth procedures to be followed with regard to any underlying 2002 Series D Purchased Mortgage Loan subject to foreclosure.

For a description of provisions regarding enforcement and foreclosure of the Mortgage Loans under the General Resolution, see “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans.”

Bankruptcy. If a petition for relief under federal bankruptcy law were filed voluntarily by a mortgagor, or involuntarily against a mortgagor by its creditors, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceedings, including without limitation, foreclosure proceedings, against such mortgagor and its property. If a bankruptcy court so ordered, the mortgagor’s property, including its revenues, could be used for the benefit of the mortgagor, despite the rights granted the mortgagee or a trustee. A bankruptcy court also has the power to invalidate certain provisions of the mortgage that make the initiation of bankruptcy and related proceedings by or against the mortgagor an event of default thereunder.

In addition, if a bankruptcy court concludes that a mortgagee is “adequately protected,” it might (A) substitute other security for the property presently pledged and (B) subordinate the lien of the mortgagee or a trustee to (i) claims by persons supplying goods and services to the mortgagor after commencement of such bankruptcy proceedings, (ii) the administrative expenses of the bankruptcy proceedings and (iii) a lien granted a lender providing funds to the mortgagor during the pendency of the bankruptcy case.

In bankruptcy proceedings initiated by the filing of a petition under Chapter 11 of the United States Bankruptcy Code, a mortgagor or another party-in-interest could elect to file a plan of reorganization which seeks to modify the rights of creditors generally, or any class of creditors, including secured creditors. In the event a mortgagor files under Chapter 11, the mortgagor may seek to modify the terms of the mortgage note and the mortgage in a plan of reorganization. In a reorganization case, a mortgagee holds a secured claim equal to the lesser of the value of the mortgaged premises or the debt. If the adjusted value is less than the pre-petition debt, then the mortgagee is not entitled to post-petition interest and the deficiency will be treated as an unsecured claim. With respect to the mortgagee’s secured claim, if the debtor intends to retain the premises, the debtor will generally propose to treat the mortgage as unimpaired by curing any defaults and reinstating the terms of the mortgage. Alternatively, the debtor may seek to alter the terms, however, the mortgagee is entitled to retain its lien under a plan and must receive deferred cash payments totaling the amount of the claim with a present value not less than the

value of the mortgaged premises. If the premises are to be sold by the debtor, the mortgagee can bid at the bankruptcy court sale and offset its claim against the selling price at such sale.

Mortgage Loans with Current Financial Difficulties

The Mortgagor of one of the Developments under the Program, which has a Mortgage Loan financed by the proceeds of the 2003 Series A Bonds with an outstanding Mortgage Loan balance of \$5,145,176 as of March 31, 2003 and is secured by FHA Insurance, Target V Phase I, has not made principal, certain interest payments and certain other required payments under its Mortgage Loan since November 15, 2002, resulting in a default under said Mortgage Loan. The Corporation has filed a notice with HUD of its election to assign this Mortgage Loan for receipt of FHA Insurance benefits but has not yet commenced assignment. At the time this Mortgage Loan is assigned to FHA, the Corporation is eligible to receive FHA Insurance benefits (see "FHA Mortgage Insurance" above). In the event the default is not cured and FHA insurance proceeds are received, it is the Corporation's expectation that the 2003 Series A Bonds will be redeemed in an amount not to exceed the amount of such insurance proceeds.

The Mortgagors of two (2) underlying 2002 Series D Purchased Mortgage Loans with an aggregate outstanding Mortgage Loan balance of \$1,914,271 as of March 31, 2003, which are not secured by supplemental security, are in default under such Mortgage Loans. With respect to one of these Mortgage Loans, said Mortgage Loan, with an outstanding Mortgage Loan balance of \$1,714,059, has been declared in default and accelerated by CPC. It is the Corporation's expectation that the 2002 Series D Bonds will be redeemed in an amount equal to any Recoveries of Principal with respect to such Mortgage Loans.

DESCRIPTION OF THE 2003 BONDS

General

The 2003 Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bank of New York is the Trustee for the Bonds, including the 2003 Bonds.

2003 Series B-1 Bonds

The 2003 Series B-1 Bonds will be dated the date of delivery thereof and will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the 2003 Series B-1 Bonds will accrue from their dated date and be payable on May 1 and November 1 in each year, commencing November 1, 2003, at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the 2003 Series B-1 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

2003 Series B-2 Bonds

The 2003 Series B-2 Bonds will be dated the date of delivery thereof and will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the 2003 Series B-2 Bonds will accrue from their dated date and be payable on May 1 and November 1 in each year, commencing November 1, 2003, at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the 2003 Series B-2 Bonds will be computed on the basis of a 360-day

year of twelve 30-day months.

2003 Series C Bonds

The 2003 Series C Bonds will be dated the date of delivery thereof and will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the 2003 Series C Bonds will accrue from their dated date and be payable on May 1 and November 1 in each year, commencing November 1, 2003, at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the 2003 Series C Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

2003 Series D Bonds

The 2003 Series D Bonds initially issued will be dated the date of delivery thereof and will be issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

Interest on the 2003 Series D Bonds shall be payable on each 2003 Series D Reset Date (as defined below) and shall be computed on the basis of a 365 or 366-day year, actual number of days elapsed. The 2003 Series D Bonds are being issued as variable rate obligations which will bear interest from their dated date to and including October 31, 2003 at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2003 Series D Bonds.

Thereafter, the 2003 Series D Bonds will bear interest at a variable rate equal to the FHLB Discount Notes Funding Cost (as defined below) plus three-tenths of one percent (0.3%). The FHLB Discount Notes Funding Cost, with respect to a Variable Rate Term beginning on a particular 2003 Series D Reset Date, shall be determined on the Determination Date which immediately precedes such 2003 Series D Reset Date. If, on a Determination Date, the FHLB Discount Notes Funding Cost is not displayed as described below, the rate for the next succeeding Variable Rate Term shall be equal to Three-Month LIBOR (as defined below) plus 0.15%. The 2003 Series D Bonds will be subject to a maximum interest rate of fifteen percent (15%) per annum. In connection with the issuance of the 2003 Series D Bonds, the Corporation will obtain the benefits of existing interest rate caps from TFA that were issued in connection with the 2002 Series C Bonds and the 2002 Series D Bonds; such interest rate caps will be available on a limited basis for the 2003 Series D Bonds when the 2003 Series D Bonds are issued (see "PLAN OF FINANCING—Interest Rate Caps"). The variable rate on the 2003 Series D Bonds shall be established for each Variable Rate Term and shall, with respect to such Variable Rate Term, be in effect from the 2003 Series D Reset Date that is the first day of such Variable Rate Term until (but not including) the next 2003 Series D Reset Date (or earlier redemption date).

THERE IS NO RIGHT TO TENDER THE 2003 SERIES D BONDS ON THE PART OF THE HOLDERS THEREOF AND THERE IS NO OBLIGATION TO PURCHASE THE 2003 SERIES D BONDS ON THE PART OF THE CORPORATION, THE UNDERWRITER, THE PLACEMENT AGENT, THE TRUSTEE OR ANY OTHER PERSON.

No later than the close of business on the second business day following each Determination Date, the Trustee shall give notice of the interest rate determined on such Determination Date to the Corporation and to each Bondholder of the 2003 Series D Bonds who has filed its name and address with the Trustee for such purpose.

For the purposes of this subsection and “Redemption Provisions for the 2003 Series D Bonds—Special Redemption from Recoveries of Principal” and “—Optional Redemption” below, the following terms shall have the following meaning:

“Determination Date” means the date which is two (2) business days prior to the next 2003 Series D Reset Date.

“FHLB Discount Notes Funding Cost” means the rate set forth on Telerate 24701 (or such other Telerate page as may replace said page 24701), at 10:00 a.m. (New York City time) on a Determination Date, with a maturity equal to three months following such Determination Date.

“Official BBA LIBOR Fixings Page” means the display designated as the “Official BBA LIBOR Fixings” page on the Bloomberg Financial Markets Commodities News Service (or such other page as may replace the Official BBA LIBOR Fixings page on that service for the purpose of displaying London interbank offered rates of major banks).

“Three-Month LIBOR” means the per annum rate for deposits in United States dollars for three (3) months which appears on the Official BBA LIBOR Fixings Page as of 11:00 a.m. London, England time, on a Determination Date. If on a Determination Date such rate does not appear on the Official BBA LIBOR Fixings Page, the Trustee will request the principal London office of each of at least two major banks, determined by the Trustee, that are engaged in transactions in the London interbank market, to provide the Trustee with its offered quotation for United States dollar deposits for three (3) months to prime banks in the London interbank market as of 11:00 a.m., London, England time, on such date. If at least two such major banks provide the Trustee with such offered quotations, “Three-Month LIBOR” on such date will be the arithmetic mean (rounded, if necessary, to the nearest one-sixteenth of a percent, with a one thirty-second being rounded upwards) of all such quotations. If on such date fewer than two of the major banks provide the Trustee with such an offered quotation, “Three-Month LIBOR” on such date will be the arithmetic mean (rounded, if necessary, to the nearest one-sixteenth of a percent, with a one thirty-second being rounded upwards) of the offered rates which one or more leading banks in the City of New York (other than the Trustee or another bank owned by, or affiliated with, the Trustee) are quoting as of 11:00 a.m., New York City time, on such date to leading European banks for United States dollar deposits for three (3) months; provided, however, that if such banks are not quoting as described above, “Three-Month LIBOR” will be the “Three-Month LIBOR” applicable to the most recent Variable Rate Term for which “Three-Month LIBOR” was available.

“2003 Series D Reset Date” means February 1, May 1, August 1 and November 1 of each year, commencing November 1, 2003.

“Variable Rate Term” means the period commencing on a 2003 Series D Reset Date and ending on the last calendar day prior to the next succeeding 2003 Series D Reset Date.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2003 Series B-1 Bond certificate, one fully-registered 2003 Series B-2 Bond certificate, one fully-registered 2003 Series C Bond certificate and one fully-registered

2003 Series D Bond certificate will be issued for each maturity of the 2003 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission.

Purchases of 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2003 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2003 Series B-1 Bond, 2003 Series B-2 Bond, 2003 Series C Bond and 2003 Series D Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2003 Bonds may wish to take

certain steps to augment the transmission to them of notices of significant events with respect to the 2003 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2003 Bond documents. For example, Beneficial Owners of 2003 Bonds may wish to ascertain that the nominee holding the 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2003 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2003 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Corporation or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and/or the 2003 Series D Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such 2003 Series B-1 Bond certificates, 2003 Series B-2 Bond certificates, 2003 Series C Bond certificates and/or 2003 Series D Bond certificates, as the case may be, are required, pursuant to the General Resolution, to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2003 Series B-1 Bond certificates, 2003 Series B-2 Bond certificates, 2003 Series C Bond certificates and/or 2003 Series D Bond certificates will be printed and delivered.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation, the Underwriter and the Placement Agent believe to be reliable, but none of the Corporation, the Underwriter or the Placement Agent take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC, the Direct Participants or the Indirect Participants.

So long as Cede & Co. is the registered owner of the 2003 Bonds of a Series, as nominee for DTC, references herein to Bondholders or registered owners of the 2003 Bonds of such Series (other than

under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Series of 2003 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

NONE OF THE CORPORATION, THE UNDERWRITER, THE PLACEMENT AGENT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2003 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2003 SERIES B-1 BONDS, THE 2003 SERIES B-2 BONDS, THE 2003 SERIES C BONDS AND/OR THE 2003 SERIES D BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2003 SERIES B-1 BONDS, THE 2003 SERIES B-2 BONDS, THE 2003 SERIES C BONDS AND/OR THE 2003 SERIES D BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2003 BONDS; OR (VI) ANY OTHER MATTER.

Redemption Provisions for the 2003 Series B Bonds

The 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds are subject to special redemption, sinking fund redemption and optional redemption prior to maturity, all as described below.

Special Redemption from Recoveries of Principal

2003 Series B-1 Bonds. The 2003 Series B-1 Bonds are subject to redemption, in whole or in part, at any time prior to maturity at a Redemption Price equal to 100% of the principal amount of the 2003 Series B-1 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date from amounts representing: (a) Recoveries of Principal deposited in the Redemption Account and resulting from (i) proceeds from the acceleration of payments due under any 2003 Series B Mortgage Loan or other remedial proceedings taken in the event of a default thereon, including the sale of any Acquired Project, (ii) amounts obtained under a letter of credit or other credit enhancement securing any 2003 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement (other than with respect to scheduled principal and/or interest payments required by such 2003 Series B Mortgage Loan, including the applicable 2003 Series B Mortgage Loan Mandatory Prepayment) in the event of a default on such 2003 Series B Mortgage Loan, (iii) proceeds of insurance awards resulting from damage or destruction of a Development financed by any 2003 Series B Mortgage Loan, which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage, (iv) proceeds of a condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Development financed by any 2003 Series B Mortgage Loan or any portion thereof,

which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage or (v) proceeds of the sale, assignment, endorsement or other disposition of any 2003 Series B Mortgage Loan required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, a 2003 Series B Mortgage Loan is in default and (b) any other monies made available under the General Resolution in connection with the redemptions described in clause (a) above. See also “PLAN OF FINANCING—2003 Series B Mortgage Loans.”

The 2003 Series B-1 Bonds are subject to redemption, in whole or in part, at any time prior to maturity on or after November 1, 2004, at a Redemption Price equal to 100% of the principal amount of such 2003 Series B-1 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date, from amounts representing Recoveries of Principal deposited in the Redemption Account and resulting from (a) proceeds of an optional prepayment of any 2003 Series B Mortgage Loan by the Mortgagor thereof (which optional prepayment shall not include the proceeds of the applicable 2003 Series B Mortgage Loan Mandatory Prepayment), (b) proceeds of the sale, assignment, endorsement or other disposition of any 2003 Series B Mortgage Loan (other than a sale, assignment, endorsement or other disposition required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, a 2003 Series B Mortgage Loan is in default) and (c) any other monies made available under the General Resolution in connection with the redemption’s described in clauses (a) and (b) above.

2003 Series B-2 Bonds. The 2003 Series B-2 Bonds are subject to redemption, in whole or in part, at any time prior to maturity, at a Redemption Price equal to 100% of the principal amount of the 2003 Series B-2 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date from amounts representing: (a) Recoveries of Principal deposited in the Redemption Account and resulting from (i) proceeds from the acceleration of payments due under any 2003 Series B Mortgage Loan or other remedial proceedings taken in the event of a default thereon, including proceeds of the sale of any Acquired Project, (ii) amounts obtained under a letter of credit or other credit enhancement securing any 2003 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement (other than with respect to scheduled principal and/or interest payments required by such 2003 Series B Mortgage Loan, including the applicable 2003 Series B Mortgage Loan Mandatory Prepayment) in the event of a default on such 2003 Series B Mortgage Loan, (iii) proceeds of insurance awards resulting from damage or destruction of a Development financed by any 2003 Series B Mortgage Loan, which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage, (iv) proceeds of a condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Development financed by any 2003 Series B Mortgage Loan or any portion thereof, which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage or (v) proceeds of the sale, assignment, endorsement or other disposition of any 2003 Series B Mortgage Loan required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, a 2003 Series B Mortgage Loan is in default, and (b) any other monies made available under the General Resolution in connection with the redemptions described in clause (a) above. See also “PLAN OF FINANCING—2003 Series B Mortgage Loans.”

The 2003 Series B-2 Bonds are subject to redemption, in whole or in part, at any time prior to maturity on or after November 1, 2013, at a Redemption Price equal to 100% of the principal amount of such 2003 Series B-2 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date, from amounts representing Recoveries of Principal deposited in the Redemption Account and resulting from (a) proceeds of an optional prepayment of any 2003 Series B Mortgage Loan by the Mortgagor thereof (which optional prepayment shall not include the proceeds of the applicable 2003 Series B Mortgage Loan Mandatory Prepayment), (b) proceeds of the sale, assignment, endorsement or other disposition of any 2003 Series B Mortgage Loan (other than a sale, assignment, endorsement or other disposition required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, a 2003 Series B Mortgage Loan is in default) and (c) any other monies made available under the General Resolution in connection with the redemption described in clauses (a) and (b) above.

Provisions Applicable to Each Series of 2003 Series B Bonds. Notwithstanding the foregoing, upon the filing of a Cash Flow Statement with the Trustee, and except as otherwise provided in a Supplemental Resolution authorizing a Series of Bonds other than the 2003 Series B Bonds, (i) all or a portion of the 2003 Series B Bonds may be redeemed in accordance with the redemption provisions described above in connection with Recoveries of Principal deposited in the Redemption Account derived from or with respect to any Mortgage Loans or Developments financed in connection with a Series of Bonds other than the 2003 Series B Bonds and (ii) the Series of Bonds to be redeemed in connection with the Recoveries of Principal deposited in the Redemption Account derived from or with respect to any 2003 Series B Mortgage Loan or a Development financed therefrom shall be selected as directed by the Corporation; provided, however, that such selection need not include the 2003 Series B Bonds, and shall not include the 1994 Series A Bonds, the 1997 Series C Bonds, the 1998 Series A Bonds, the 1998 Series B Bonds, the 1999 Series A-1 Bonds, the 1999 Series A-2 Bonds, the 1999 Series B-1 Bonds, the 1999 Series B-2 Bonds, the 1999 Series E Bonds, the 2000 Series B Bonds, the 2001 Series A Bonds, the 2002 Series C Bonds, the 2002 Series D Bonds and the 2003 Series D Bonds. In addition, notwithstanding anything to the contrary contained in the General Resolution, the 2003 Series B-1 Supplemental Resolution or the 2003 Series B-2 Supplemental Resolution, for the purposes of the redemption specified in this section, and all provisions of the General Resolution with respect thereto, the 2003 Series B Mortgage Loans shall be treated as having been financed from the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds without regard to Series as if the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds constituted one Series; provided, however, that in connection with any redemption specified in this section, the Corporation may, in its sole discretion, select Bonds or either or both such Series to be so redeemed. For a description of the cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.”

As provided in the Resolutions, the Recoveries of Principal described under “Special Redemption from Recoveries of Principal—2003 Series B-1” and “—2003 Series B-2” above shall be deposited in the Redemption Account and applied to the redemption of the Bonds unless the Corporation files written instructions with the Trustee, accompanied by a Cash Flow Statement, directing that all or any portion of such Recoveries of Principal be deposited in the Bond Proceeds Account or the Revenue Account. See “SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates” and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

See “THE PROGRAM—Certain Factors Affecting the Mortgage Loans” and “Appendix E-3—Mortgage Loan Prepayment Provisions” for a description of the prepayment features applicable to the Mortgage Loans.

Extraordinary Redemption from Recoveries of Principal for the 2003 Series B-1 Bonds

The 2003 Series B-1 Bonds are subject to redemption in whole or in part at any time prior to maturity on or after November 1, 2004, from amounts representing Recoveries of Principal deposited in the Redemption Account and resulting from proceeds of a 2003 Series B Mortgage Loan Mandatory Prepayment (which shall not include the proceeds of an optional prepayment as described in “Special Redemption from Recoveries of Principal—2003 Series B-1 Bonds” and “—2003 Series B-2 Bonds” above), at a Redemption Price equal to 100% of the principal amount of such 2003 Series B-1 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date (see “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2003 Series B Bonds” for the expected amount of the 2003 Series B Mortgage Loan Mandatory Prepayment for each applicable 2003 Series B Development). It is expected that the Mortgagors of the 2003 Series B Developments, which are all subject to a 2003 Series B Mortgage Loan Mandatory Prepayment, will receive proceeds from the sale of Section 421-a Certificates and/or from the syndication of federal low income housing tax credits with respect to such 2003 Series B Developments in an amount sufficient to make their applicable 2003 Series B Mortgage Loan Mandatory Prepayment and will make the applicable 2003 Series B Mortgage Loan Mandatory Prepayment upon receipt thereof. However, no assurance can be given such Section 421-a Certificates and/or such federal low income housing tax credit syndication proceeds will be obtained or, if obtained, will be in an amount sufficient to make the applicable 2003 Series B Mortgage Loan Mandatory Prepayment. See “PLAN OF FINANCING—2003 Series B Mortgage Loans.”

Special Redemption from Unexpended 2003 Series B Bond Proceeds

2003 Series B-1 Bonds. The 2003 Series B-1 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity, at a Redemption Price equal to 100% of the principal amount of the 2003 Series B-1 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date, in an amount not in excess of amounts on deposit in the Bond Proceeds Account representing unexpended proceeds of the 2003 Series B-1 Bonds not used to finance the 2003 Series B Mortgage Loans and any other monies made available under the General Resolution in connection with such redemption.

2003 Series B-2 Bonds. The 2003 Series B-2 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity, at a Redemption Price equal to 100% of the principal amount of the 2003 Series B-2 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date, in an amount not in excess of amounts on deposit in the Bond Proceeds Account representing unexpended proceeds of the 2003 Series B-2 Bonds not used to finance the 2003 Series B Mortgage Loans and any other monies made available under the General Resolution in connection with such redemption.

Provisions Applicable to Each Series of 2003 Series B Bonds. Notwithstanding anything to the contrary contained in the General Resolution, the 2003 Series B-1 Supplemental Resolution or the 2003 Series B-2 Supplemental Resolution, for the purposes of the redemptions specified in this subsection, and all provisions of the General Resolution with respect thereto, any 2003 Series B Mortgage Loans financed from the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds shall be treated as having been financed from the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds on a pro-rata basis; provided, however, that in connection with any redemption with respect to unexpended proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds not used to finance

the 2003 Series B Mortgage Loans, the Corporation may, in its sole discretion, select Bonds of either or both such Series to be so redeemed.

Sinking Fund Redemption for the 2003 Series B-2 Bonds

The 2003 Series B-2 Term Bonds maturing on November 1, 2023 and the 2003 Series B-2 Term Bonds maturing on November 1, 2036 are subject to redemption at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption thereof, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on November 1 of each year the principal amount of such 2003 Series B-2 Bonds specified for each of the Redemption Dates shown below:

2003 SERIES B-2 TERM BONDS
MATURING ON NOVEMBER 1, 2023

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2014	\$480,000	May 1, 2019	\$610,000
Nov. 1, 2014	495,000	Nov. 1, 2019	625,000
May 1, 2015	505,000	May 1, 2020	635,000
Nov. 1, 2015	520,000	Nov. 1, 2020	650,000
May 1, 2016	530,000	May 1, 2021	665,000
Nov. 1, 2016	545,000	Nov. 1, 2021	685,000
May 1, 2017	550,000	May 1, 2022	400,000
Nov. 1, 2017	575,000	Nov. 1, 2022	410,000
May 1, 2018	575,000	May 1, 2023	420,000
Nov. 1, 2018	595,000	Nov. 1, 2023	430,000*

* Stated maturity

2003 SERIES B-2 TERM BONDS
MATURING ON NOVEMBER 1, 2036

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2024	\$435,000	Nov. 1, 2030	\$595,000
Nov. 1, 2024	450,000	May 1, 2031	610,000
May 1, 2025	460,000	Nov. 1, 2031	625,000
Nov. 1, 2025	470,000	May 1, 2032	640,000
May 1, 2026	485,000	Nov. 1, 2032	650,000
Nov. 1, 2026	490,000	May 1, 2033	670,000
May 1, 2027	505,000	Nov. 1, 2033	685,000
Nov. 1, 2027	520,000	May 1, 2034	705,000
May 1, 2028	525,000	Nov. 1, 2034	715,000
Nov. 1, 2028	545,000	May 1, 2035	735,000
May 1, 2029	555,000	Nov. 1, 2035	755,000
Nov. 1, 2029	565,000	May 1, 2036	770,000
May 1, 2030	580,000	Nov. 1, 2036	790,000*

* Stated maturity

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase of the 2003 Series B-2 Bonds to be redeemed from such Sinking Fund Payments, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase; provided, however, that the purchase of such Bonds may, to the extent permitted by law, be at prices exceeding the applicable Redemption Price if the Corporation files a Cash Flow Statement with the Trustee as provided in the General Resolution.

Upon the purchase or redemption of any 2003 Series B-2 Bonds, for which Sinking Fund Payments shall have been established, other than by application of Sinking Fund Payments, an amount equal to the principal amount of the 2003 Series B-2 Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the 2003 Series B-2 Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption.

Optional Redemption

2003 Series B-1 Bonds. The 2003 Series B-1 Bonds are also subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity on or after November 1, 2004, at a Redemption Price equal to 100% of the principal amount of the 2003 Series B-1 Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date.

2003 Series B-2 Bonds. The 2003 Series B-2 are also subject to redemption, at the option of the corporation, in whole or in part, at any time prior to maturity on or after November 1, 2013, at a Redemption Price equal to 100% of the principal amount of the 2003 Series B-2 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Redemption Provisions for the 2003 Series C Bonds

The 2003 Series C Bonds are subject to special redemption, sinking fund redemption and optional redemption prior to maturity, all as described below.

Special Redemption from Recoveries of Principal

The 2003 Series C Bonds are subject to redemption, in whole or in part, at any time prior to maturity, at a Redemption Price equal to 100% of the principal amount of the 2003 Series C Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date from amounts representing: (a) Recoveries of Principal deposited in the Redemption Account and resulting from (i) proceeds from the acceleration of payments due under the 2003 Series C Mortgage Loan or other remedial proceedings taken in the event of a default thereon, (ii) proceeds of insurance awards resulting from damage or destruction of the Development financed by the 2003 Series C Mortgage Loan, which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage, (iii) proceeds of a condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Development financed by the 2003 Series C Mortgage Loan or any portion thereof, which proceeds

are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage or (iv) proceeds of the sale, assignment, endorsement or other disposition of the 2003 Series C Mortgage Loan required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, the 2003 Series C Mortgage Loan is in default, and (b) any other monies made available under the General Resolution in connection with the redemption described in clause (a) above. See also “PLAN OF FINANCING—2003 Series C Mortgage Loan.”

The 2003 Series C Bonds are subject to redemption, in whole or in part, at any time prior to maturity on or after November 1, 2013, at a Redemption Price equal to 100% of the principal amount of such 2003 Series C Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date, from amounts representing Recoveries of Principal deposited in the Redemption Account and resulting from (a) proceeds of an optional prepayment of the 2003 Series C Mortgage Loan by the Mortgagor thereof, (b) proceeds of the sale, assignment, endorsement or other disposition of the 2003 Series C Mortgage Loan (other than a sale, assignment, endorsement or other disposition required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, the 2003 Series C Mortgage Loan is in default) and (c) any other monies made available under the General Resolution in connection with the redemption described in clauses (a) and (b) above.

Notwithstanding the foregoing, upon the filing of a Cash Flow Statement with the Trustee, and except as otherwise provided in a Supplemental Resolution authorizing a Series of Bonds other than the 2003 Series C Bonds, (i) all or a portion of the 2003 Series C Bonds may be redeemed in accordance with the redemption provisions described above in connection with Recoveries of Principal deposited in the Redemption Account derived from or with respect to any Mortgage Loans or Developments financed in connection with a Series of Bonds other than the 2003 Series C Bonds and (ii) the Series of Bonds to be redeemed in connection with the Recoveries of Principal deposited in the Redemption Account derived from or with respect to any 2003 Series C Mortgage Loan or a Development financed therefrom shall be selected as directed by the Corporation; provided, however, that such selection need not include the 2003 Series C Bonds, and shall not include the 1994 Series A Bonds, the 1997 Series C Bonds, the 1998 Series A Bonds, the 1998 Series B Bonds, the 1999 Series A-1 Bonds, the 1999 Series A-2 Bonds, the 1999 Series B-1 Bonds, the 1999 Series B-2 Bonds, the 1999 Series E Bonds, the 2000 Series B Bonds, the 2001 Series A Bonds, the 2002 Series C Bonds, the 2002 Series D Bonds and the 2003 Series D Bonds. For a description of the cross-call provisions for the Bonds Outstanding under the General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.”

As provided in the Resolutions, the Recoveries of Principal described under “Special Redemption from Recoveries of Principal” above shall be deposited in the Redemption Account and applied to the redemption of the Bonds unless the Corporation files written instructions with the Trustee, accompanied by a Cash Flow Statement, directing that all or any portion of such Recoveries of Principal be deposited in the Bond Proceeds Account or the Revenue Account. See “SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates” and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

See “THE PROGRAM—Certain Factors Affecting the Mortgage Loans” and “Appendix E-3—Mortgage Loan Prepayment Provisions” for a description of the prepayment features applicable to the Mortgage Loans.

Sinking Fund Redemption

The 2003 Series C Term Bonds maturing in November 1, 2016 are subject to redemption at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption thereof, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on May 1 and November 1 of each year the principal amount of such 2003 Series C Bonds specified for each of the Redemption Dates shown below:

2003 SERIES C TERM BONDS MATURING ON NOVEMBER 1, 2016

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2014	\$205,000	Nov. 1, 2015	\$220,000
Nov. 1, 2014	210,000	May 1, 2016	225,000
May. 1, 2015	215,000	Nov. 1, 2016	230,000 [†]

[†] Stated maturity

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase of the 2003 Series C Bonds to be redeemed from such Sinking Fund Payments, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase; provided, however, that the purchase of such Bonds may, to the extent permitted by law, be at prices exceeding the applicable Redemption Price if the Corporation files a Cash Flow Statement with the Trustee as provided in the General Resolution.

Upon the purchase or redemption of any 2003 Series C Bonds, for which Sinking Fund Payments shall have been established, other than by application of Sinking Fund Payments, an amount equal to the principal amount of the 2003 Series C Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the 2003 Series C Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption.

Optional Redemption

The 2003 Series C Bonds are also subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity on or after November 1, 2013, at a Redemption Price equal to 100% of the principal amount of the 2003 Series C Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date.

Redemption Provisions for the 2003 Series D Bonds

The 2003 Series D Bonds are subject to special redemption, sinking fund redemption and optional redemption prior to maturity, all as described below.

Special Redemption from Recoveries of Principal

The 2003 Series D Bonds are subject to redemption, in whole or in part, on any 2003 Series D Reset Date, at a Redemption Price equal to 100% of the principal amount of the 2003 Series D Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date from amounts representing: (a) Recoveries of Principal deposited in the Redemption Account with respect to the underlying 2003 Series D Purchased Mortgage Loans and resulting from any amounts required to be passed through the 2003 Series D Purchased Mortgage Loans as a result of (i) proceeds from the acceleration of payments due under any underlying 2003 Series D Purchased Mortgage Loan or other remedial proceedings taken in the event of a default thereon, including proceeds of the sale of any Acquired Project, (ii) proceeds of insurance awards resulting from damage or destruction of a Development financed by any underlying 2003 Series D Purchased Mortgage Loan, which proceeds are applied to payment of the applicable underlying mortgage note, (iii) proceeds of a condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Development financed by any underlying 2003 Series D Purchased Mortgage Loan or any portion thereof, which proceeds are applied to payment of the applicable underlying mortgage note or (iv) proceeds of the sale, assignment, endorsement or other disposition of any underlying 2003 Series D Purchased Mortgage Loan required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, an underlying 2003 Series D Purchased Mortgage Loan is in default, and (b) any other monies made available under the General Resolution in connection with the redemptions described in clause (a) above. See also “PLAN OF FINANCING—2003 Series D Mortgage Loans.”

The 2003 Series D Bonds are subject to redemption, in whole or in part, on any 2003 Series D Reset Date, from amounts representing Recoveries of Principal deposited in the Redemption Account with respect to the underlying 2003 Series D Purchased Mortgage Loans and resulting from (a) proceeds of an optional prepayment of any underlying 2003 Series D Purchased Mortgage Loan by the Mortgagor thereof, (b) proceeds of the sale, assignment, endorsement or other disposition of any underlying 2003 Series D Purchased Mortgage Loan (other than a sale, assignment, endorsement or other disposition required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, an underlying 2003 Series D Purchased Mortgage Loan is in default) and (c) any other monies made available under the General Resolution in connection with the redemptions described in clauses (a) and (b) above, at a Redemption Price equal to 100% of the principal amount of the 2003 Series D Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Notwithstanding anything to the contrary contained in the Resolutions, so long as the 2003 Series D Bonds remain Outstanding, (i) the only Series of Bonds that may be redeemed in accordance with the redemption provisions described above in connection with Recoveries of Principal deposited in the Redemption Account derived from or with respect to the underlying 2003 Series D Purchased Mortgage Loans or the 2003 Series D Purchased Developments shall be the 2003 Series D Bonds, (ii) the 2003 Series D Bonds may not be redeemed in accordance with the redemption provisions described above in connection with Recoveries of Principal deposited in the Redemption Account derived from or with respect to any Mortgage Loans or Developments financed in connection with a Series of Bonds other than the 2003 Series D Bonds and (iii) Recoveries of Principal derived from or with respect to the underlying 2003 Series D Purchased Mortgage Loans or the 2003 Series D Purchased Developments shall only be deposited in the Redemption Account and may not be deposited in the Bond Proceeds Account or the Revenue Account. For a description of the cross-call provisions for the Bonds Outstanding under the

General Resolution, see “SECURITY FOR THE BONDS—Cross-Call Provisions and Other Related Information.”

See “THE PROGRAM—Certain Factors Affecting the Mortgage Loans” and “Appendix E-3—Mortgage Loan Prepayment Provisions” for a description of the prepayment features applicable to the Mortgage Loans.

Sinking Fund Redemption

The 2003 Series D Term Bonds maturing on August 1, 2033 are subject to redemption at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption thereof, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on February 1, May 1, August 1 and November 1 of each year the principal amount of such 2003 Series D Bonds specified for each of the Redemption Dates shown below:

2003 SERIES D TERM BONDS
MATURING ON AUGUST 1, 2033

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
Nov. 1, 2003	\$1,935,000	Nov. 1, 2018	\$ 540,000
Feb. 1, 2004	420,000	Feb. 1, 2019	540,000
May 1, 2004	445,000	May 1, 2019	540,000
Aug. 1, 2004	465,000	Aug. 1, 2019	590,000
Nov. 1, 2004	495,000	Nov. 1, 2019	535,000
Feb. 1, 2005	510,000	Feb. 1, 2020	540,000
May 1, 2005	520,000	May 1, 2020	560,000
Aug. 1, 2005	530,000	Aug. 1, 2020	555,000
Nov. 1, 2005	520,000	Nov. 1, 2020	525,000
Feb. 1, 2006	465,000	Feb. 1, 2021	495,000
May 1, 2006	505,000	May 1, 2021	500,000
Aug. 1, 2006	510,000	Aug. 1, 2021	500,000
Nov. 1, 2006	465,000	Nov. 1, 2021	485,000
Feb. 1, 2007	470,000	Feb. 1, 2022	490,000
May 1, 2007	500,000	May 1, 2022	950,000
Aug. 1, 2007	680,000	Aug. 1, 2022	1,680,000
Nov. 1, 2007	710,000	Nov. 1, 2022	435,000
Feb. 1, 2008	720,000	Feb. 1, 2023	440,000
May 1, 2008	720,000	May 1, 2023	365,000
Aug. 1, 2008	700,000	Aug. 1, 2023	1,850,000
Nov. 1, 2008	665,000	Nov. 1, 2023	340,000
Feb. 1, 2009	670,000	Feb. 1, 2024	350,000
May 1, 2009	690,000	May 1, 2024	345,000
Aug. 1, 2009	705,000	Aug. 1, 2024	350,000
Nov. 1, 2009	695,000	Nov. 1, 2024	1,320,000
Feb. 1, 2010	700,000	Feb. 1, 2025	365,000
May 1, 2010	720,000	May 1, 2025	370,000
Aug. 1, 2010	1,400,000	Aug. 1, 2025	340,000
Nov. 1, 2010	1,210,000	Nov. 1, 2025	310,000
Feb. 1, 2011	905,000	Feb. 1, 2026	320,000
May 1, 2011	635,000	May 1, 2026	315,000

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
Aug. 1, 2011	595,000	Aug. 1, 2026	335,000
Nov. 1, 2011	580,000	Nov. 1, 2026	290,000
Feb. 1, 2012	580,000	Feb. 1, 2027	290,000
May 1, 2012	585,000	May 1, 2027	260,000
Aug. 1, 2012	580,000	Aug. 1, 2027	245,000
Nov. 1, 2012	560,000	Nov. 1, 2027	550,000
Feb. 1, 2013	575,000	Feb. 1, 2028	195,000
May 1, 2013	555,000	May 1, 2028	375,000
Aug. 1, 2013	530,000	Aug. 1, 2028	200,000
Nov. 1, 2013	475,000	Nov. 1, 2028	200,000
Feb. 1, 2014	470,000	Feb. 1, 2029	280,000
May 1, 2014	470,000	May 1, 2029	190,000
Aug. 1, 2014	2,525,000	Aug. 1, 2029	155,000
Nov. 1, 2014	460,000	Nov. 1, 2029	145,000
Feb. 1, 2015	455,000	Feb. 1, 2030	150,000
May 1, 2015	775,000	May 1, 2030	1,420,000
Aug. 1, 2015	495,000	Aug. 1, 2030	130,000
Nov. 1, 2015	490,000	Nov. 1, 2030	100,000
Feb. 1, 2016	495,000	Feb. 1, 2031	200,000
May 1, 2016	805,000	May 1, 2031	100,000
Aug. 1, 2016	640,000	Aug. 1, 2031	95,000
Nov. 1, 2016	500,000	Nov. 1, 2031	80,000
Feb. 1, 2017	510,000	Feb. 1, 2032	70,000
May 1, 2017	515,000	May 1, 2032	70,000
Aug. 1, 2017	495,000	Aug. 1, 2032	70,000
Nov. 1, 2017	450,000	Nov. 1, 2032	65,000
Feb. 1, 2018	445,000	Feb. 1, 2033	65,000
May 1, 2018	490,000	May 1, 2033	925,000 [†]
Aug. 1, 2018	550,000	Aug. 1, 2033	80,000 [†]

[†] Stated maturity

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase of the 2003 Series D Bonds to be redeemed from such Sinking Fund Payments, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase; provided, however, that the purchase of such Bonds may, to the extent permitted by law, be at prices exceeding the applicable Redemption Price if the Corporation files a Cash Flow Statement with the Trustee as provided in the General Resolution.

Upon the purchase or redemption of any 2003 Series D Bonds for which Sinking Fund Payments shall have been established, other than by application of Sinking Fund Payments, an amount equal to the principal amount of the 2003 Series D Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the 2003 Series D Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption.

Optional Redemption

The 2003 Series D Bonds are also subject to redemption, at the option of the Corporation, in whole or in part, on any 2003 Series D Reset Date on or after November 1, 2003, at a Redemption Price equal to 100% of the principal amount of the 2003 Series D Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Selection of Bonds to be Redeemed

Subject to the redemption requirements set forth in a Supplemental Resolution authorizing a particular Series of Bonds, in the event of a partial redemption of Bonds in connection with Recoveries of Principal, the Series, the maturity or maturities, and the amount thereof, to be so redeemed shall be selected as directed by the Corporation in written instructions filed with the Trustee accompanied by a Cash Flow Statement. In the absence of such direction, (i) Bonds of each Series subject to redemption shall be redeemed in connection with Recoveries of Principal derived from or with respect to the Mortgage Loans financed from or allocated to such Bonds and (ii) Bonds of each maturity within each Series of Bonds subject to redemption shall be redeemed in the proportion that the amount Outstanding of each such maturity bears to the total amount of all Outstanding Bonds of such Series. The Series and maturities of 2003 Bonds to be redeemed in accordance with the optional redemption provisions described above shall be selected as directed by the Corporation. In the event of redemption of less than all the Bonds of the same Series and maturity, the Trustee shall select the Bonds by lot, using such method of selection as it shall deem proper in its sole discretion.

Notwithstanding the foregoing, no 2003 Series D Bond shall be selected for redemption if the portion of such 2003 Series D Bond remaining after such redemption would not be in an authorized denomination.

Corporation's Right to Purchase Bonds

The Corporation retains the right to purchase 2003 Series B-1 Bonds, 2003 Series B-2 Bonds, 2003 Series C Bonds and 2003 Series D Bonds, at such times, in such amounts and at such prices as the Corporation shall determine, subject to the provisions of the General Resolution, and, thereby, reduce its obligations, including Sinking Fund Payments, for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, as the case may be. See "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates."

Notice of Redemption

When the Trustee receives notice from the Corporation of its election or direction to redeem 2003 Series B-1 Bonds, 2003 Series B-2 Bonds, 2003 Series C Bonds or 2003 Series D Bonds or is otherwise required to redeem the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds or the 2003 Series D Bonds, the Trustee will give notice, in the name of the Corporation, of the redemption of such 2003 Series B-1 Bonds, 2003 Series B-2 Bonds, 2003 Series C Bonds or 2003 Series D Bonds. Such notice will specify the Series and maturities of the 2003 Bonds to be redeemed, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. Not less than fifteen (15) days before the Redemption Date for the 2003 Series D Bonds and not less than thirty (30) days before the Redemption Date for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds or the 2003 Series C Bonds, as the case may be, the Trustee is to mail a copy of such notice to the registered owners of any 2003 Series B-1 Bonds, 2003 Series B-2 Bonds,

2003 Series C Bonds or 2003 Series D Bonds, or portions of 2003 Series B-1 Bonds, 2003 Series B-2 Bonds, 2003 Series C Bonds or 2003 Series D Bonds, which are to be redeemed, at their last addresses appearing upon the registry books. Interest will not be payable on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, as the case may be, after the Redemption Date if notice has been given and if sufficient monies have been deposited with the Trustee to pay the principal or applicable Redemption Price of and interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds or the 2003 Series D Bonds on such date and all conditions precedent, if any, to such redemption shall have been satisfied.

SECURITY FOR THE BONDS

Pledge of the General Resolution

The General Resolution constitutes a contract among the Corporation, the Trustee and the owners of the Bonds issued thereunder and, except as otherwise provided under the General Resolution or in a Supplemental Resolution authorizing a Series of Bonds, its provisions are for the equal benefit, protection and security of the owners of all such Bonds, each of which, regardless of maturity, is to be of equal rank without preference, priority or distinction. The General Resolution authorizes the issuance of Bonds (the "Subordinate Bonds") having a charge and lien on the Revenues and other assets pledged under the General Resolution subordinate to the charge and lien of the Bonds. Prior to the issuance of any Bonds (other than the Subordinate Bonds), the General Resolution requires that the Trustee be provided with confirmation of the then existing ratings on the Bonds (other than the Subordinate Bonds) by each of the Rating Agencies then rating such Bonds. See "Additional Bonds" below.

The 2003 Bonds are special revenue obligations of the Corporation payable solely from the Revenues and Accounts described below.

Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of Revenues, which consist of, among other things, unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, all payments received by the Corporation from or on account of the Mortgage Loans, including scheduled, delinquent and advance payments of principal of and interest on the Mortgage Loans, proceeds from the sale, assignment, endorsement or other disposition of the Mortgage Loans, amounts received on account of the acceleration of payments due under the Mortgage Loans or other remedial proceedings taken in the event of a default thereon, proceeds of any mortgage insurance or credit enhancement with respect to defaulted Mortgage Loans, proceeds of any hazard insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under or pursuant to the General Resolution. Revenues do not, however, include amounts required to be deposited in the Rebate Fund, escrow payments, late charges or administrative, financing, extension, servicing or settlement fees on account of any Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of its right, title and interest in and to the Mortgage Loans and, except as otherwise provided in any Supplemental Resolution authorizing a particular Series of Bonds, of all Accounts established pursuant to the General Resolution (including the investments thereof, if any). Under the General Resolution, the Corporation is not required to subject to the pledge and lien of the General Resolution assets, including mortgage loans, financed by Bonds issued thereunder. In addition, under the General Resolution the Corporation may pledge Accounts created pursuant to a Supplemental Resolution authorizing a particular Series of Bonds solely to the Bonds of such Series or exclude such Accounts from the pledge of the General Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

The foregoing pledges are also subject to the terms and provisions of the General Resolution requiring transfers of amounts to the Rebate Fund and permitting the application of the Revenues and amounts in such Accounts for certain purposes, including financing Mortgage Loans, funding the Debt Service Reserve Account in order to maintain such Account at its required level, paying certain amounts to the Trustee, the Corporation and Credit Facility Providers, if any, and paying certain investment fees, if any. The Corporation is also authorized under the General Resolution to withdraw surplus revenues and any Mortgage Loans, free and clear of the pledge and lien of the General Resolution upon filing a Cash Flow Statement with the Trustee. See “Cash Flow Statements and Cash Flow Certificates” below and “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Revenue Account.”

Cross-Call Provisions and Related Information

The following table sets forth for each Series of Bonds: the original par amount, the outstanding par amount, the maximum interest rate, the final maturity, whether cross-calls into a Series are permitted and whether cross-calls out of a Series are permitted. As used herein, the term “cross-calls” refers to the redemption of Bonds of one Series from amounts representing Recoveries of Principal derived from or with respect to Mortgage Loans attributable to a different Series of Bonds. This table is not intended by the Corporation to be entirely inclusive of the information necessary for a Bondholder to determine the likelihood of redemptions due to cross-calls or otherwise with respect to a particular Series of Bonds. Many factors may affect the Corporation’s decision to cross-call including, but not limited to, economic factors and certain limitations under federal tax law.

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Series of Bonds	Original Par Amount	Outstanding Par Amount ¹	Maximum Interest Rate	Final Maturity	Cross-Calls Into Series Permitted	Cross-Calls Out of Series Permitted
1994 Series A	\$6,500,000	\$4,660,000	8.95%	05/01/25	No	No
1995 Series A	\$49,635,000	\$5,955,000	5.60%	11/01/07	Yes	Yes
1996 Series A	\$217,310,000	\$62,795,000	5.625%	05/01/12	Yes	Yes
1997 Series A	\$12,215,000	\$10,715,000	5.75%	11/01/18	Yes	Yes
1997 Series B	\$13,050,000	\$10,045,000	5.875%	11/01/18	Yes	Yes
1997 Series C	\$30,000,000	\$22,250,000	6.73%	05/01/11	No	Yes
1998 Series A	\$57,800,000	\$56,000,000	6.84%	05/01/30	No	Yes
1998 Series B	\$21,380,000	\$20,895,000	5.25%	11/01/31	No	No
1999 Series A-1	\$49,100,000	\$41,300,000	6.06%	11/01/22	No	Yes
1999 Series A-2	\$17,500,000	\$17,500,000	12.00% ²	05/01/37	No	Yes
1999 Series B-1	\$10,000,000	\$10,000,000	12.00% ²	05/01/31	No	Yes
1999 Series B-2	\$30,200,000	\$28,700,000	7.32%	05/01/22	No	Yes
1999 Series C	\$9,800,000	\$5,485,000	5.70%	11/01/31	Yes	Yes
1999 Series D	\$8,110,000	\$7,345,000	5.50%	11/01/19	Yes	Yes
1999 Series E	\$10,715,000	\$10,020,000	6.25%	05/01/36	No	No
2000 Series A	\$11,440,000	\$6,855,000	5.95%	11/01/32	Yes	Yes
2000 Series B	\$24,800,000	\$24,700,000	7.79%	11/01/32	No	Yes
2001 Series A	\$30,115,000	\$30,115,000	5.60%	11/01/42	No	Yes
2001 Series B	\$87,370,000	\$79,015,000	5.25%	11/01/16	Yes	Yes
2001 Series C-1	\$10,730,000	\$10,730,000	12.00% ³	11/01/05	Yes	Yes
2001 Series C-2	\$17,770,000	\$17,770,000	5.40%	11/01/33	Yes	Yes
2002 Series A	\$36,370,000	\$36,370,000	5.50%	11/01/34	Yes	Yes
2002 Series B	\$7,150,000	\$7,150,000	5.50%	11/01/32	Yes	Yes
2002 Series C	\$49,500,000	\$49,500,000	15.00% ²	05/01/34	No	Yes
2002 Series D	\$285,000,000	\$273,200,000	15.00% ²	11/01/32	No	No
2002 Series E-1	\$4,000,000	\$4,000,000	12.00% ⁴	11/01/06	Yes	Yes
2002 Series E-2	\$19,300,000	\$19,300,000	5.20%	11/01/34	Yes	Yes
2002 Series F	\$4,600,000	\$4,600,000	5.20%	11/01/32	Yes	Yes
2003 Series A	\$81,170,000	\$81,170,000	12.00% ⁵	11/01/23	Yes	Yes
2003 Series B-1	\$9,525,000	\$9,525,000	2.30%	5/01/07	Yes	Yes
2003 Series B-2	\$33,175,000	\$33,175,000	4.60%	11/01/36	Yes	Yes
2003 Series C	\$4,900,000	\$4,900,000	4.00%	11/01/16	Yes	Yes
2003 Series D	\$64,100,000	\$64,100,000	15.00%	8/01/33	No	No

¹ As of April 1, 2003, other than for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds which shall be as of the date of issue.

² This Series of Bonds bears interest at a variable rate equal to the FHLB Discount Notes Funding Cost plus three-tenths of one percent (0.3%). "FHLB Discount Notes Funding Cost" means the rate set forth on Telerate 24701 (or such other Telerate page as may replace said page 24701), at 10:00 a.m. (New York City time) on a Determination Date, with a maturity equal to three (3) months following such Determination Date. For this purpose, "Determination Date" means the date which is two (2) business days prior to the next Reset Date, and "Reset Date" means February 1, May 1, August 1 and November 1 of each year.

³ This Series of Bonds bears interest at a variable rate equal to ninety-five percent (95%) of One-Month LIBOR. "One-Month LIBOR" means the per annum rate for deposits in United States dollars for one (1) month which appears on the Official BBA LIBOR Fixings Page as of 11:00 a.m. London, England time, on a Determination Date. "Official BBA LIBOR Fixings Page" means the display designated as the "Official BBA LIBOR Fixings" page on the Bloomberg Financial Markets Commodities News Service (or such other page as may replace the Official BBA LIBOR Fixings page on that service for the purpose of displaying London interbank offered rates of major banks).

⁴ This Series of Bonds bears interest at a variable rate equal to one hundred percent (100%) of One-Month LIBOR.

⁵ This Series of Bonds bears interest at an auction rate.

Mortgage Loans

General

Under the General Resolution, the Corporation is authorized to issue Bonds to finance any of its corporate purposes for which the Corporation may issue bonds under the Act or any other applicable law now or hereafter enacted. Such corporate purposes include but are not limited to financing one or more Mortgage Loans. The term Mortgage Loan is defined under the General Resolution as a loan for a Project, evidenced by a note, secured by a Mortgage (which need not create a first lien on such Project) and specified in a Supplemental Resolution as being subject to the lien of the General Resolution. The term Mortgage Loan also includes a participation by the Corporation with another party or parties, public or private, in a loan made to a Mortgagor with respect to a Project, and any instrument evidencing an ownership in any such loan, including, but not limited to, mortgage-backed securities guaranteed by GNMA, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. In addition to Mortgage Loans, the Corporation may finance mortgage loans and other assets that are not subject to the pledge of the General Resolution.

If Mortgage Loans are financed under the General Resolution, such Mortgage Loans may, but are not required to, be subject to supplemental security insuring or securing against Mortgage Loan default losses. Such supplemental security, if any, is required to be specified in the Supplemental Resolution authorizing the related Series of Bonds and may be in the form of, among other things, subsidy or interest rate reduction payments, insurance, a letter of credit, a surety bond or an escrow deposit, any or all of which may be obtained pursuant to one or more programs of the federal government or State or local agencies. In the case of most of its programs, the Corporation has not assumed sole responsibility for the underwriting of mortgage loans financed thereunder. For certain Mortgage Loans in the Program, the Corporation relies on the underwriting criteria and expertise of other parties, including HUD, FHA, SONYMA, credit facility providers and/or HPD. For certain other Mortgage Loans in the Program, the Corporation, in conjunction with conventional lenders, credit facility providers and/or HPD, has underwritten such Mortgage Loans. In the future the Corporation may determine to undertake such underwriting responsibility by itself. In the General Resolution, the Corporation has covenanted to retain and employ competent personnel for the purposes of carrying out its powers thereunder. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Application and Disbursement of Bond Proceeds” for a description of the Mortgage Loan requirements under the General Resolution. See “THE PROGRAM—General” and “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program” for a description of the Mortgage Loans financed under the Program to date.

Except as otherwise provided in a Supplemental Resolution authorizing Bonds, the Corporation shall do all acts and things necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Mortgage Loans) and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on Mortgage Loans or any subsidy payments in connection with the Projects securing the Mortgage Loans or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loans, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans.”

2003 Series D Bonds

The proceeds of the 2003 Series D Bonds will be used to finance the acquisition by the Corporation, pursuant to the 2003 Participation Agreement, of the 2003 Series D Purchased Mortgage Loans and the 2003 Series D Trust Mortgage Loans. See “PLAN OF FINANCING—2003 Series D Mortgage Loans—Participation Interest.”

Cash Flow Statements and Cash Flow Certificates

The General Resolution provides that the Corporation shall file with the Trustee a current Cash Flow Statement: (i) whenever any Series of Bonds is issued; (ii) upon purchase or redemption of Bonds of a Series in a manner other than (a) as contemplated in the last Cash Flow Statement filed by the Corporation with the Trustee or (b) on a basis whereby the Bonds of each maturity of such Series are purchased or redeemed in the proportion that the amount Outstanding of such maturity bears to the total amount of all Outstanding Bonds of such Series, when such purchases or redemptions are to be made in connection with Recoveries of Principal; (iii) prior to withdrawing monies for payment to the Corporation, pursuant to the General Resolution, free and clear of the pledge and lien of the General Resolution, in an amount in excess of the amounts determined to be available for such purpose in the last Cash Flow Statement filed with the Trustee; (iv) prior to selling Mortgage Loans not in default; (v) prior to the financing of or amending Mortgage Loans to contain terms that would adversely affect the cash flow projections contained in the last Cash Flow Statement filed with the Trustee; (vi) prior to the releasing of any Mortgage Loan from the pledge and lien of the General Resolution; (vii) prior to the application of Recoveries of Principal to any use other than the purchase or redemption of Bonds; (viii) prior to the purchase of Bonds pursuant to certain provisions of the General Resolution at prices in excess of those specified in the General Resolution; or (ix) prior to the application of monies in the Redemption Account resulting from Recoveries of Principal derived from or with respect to any Mortgage Loans to the purchase or redemption of Bonds of a Series other than the Series issued to finance such Mortgage Loans.

In addition, the Corporation shall not take any of the actions described in clauses (ii) through (ix) of the preceding paragraph unless subsequent to such action the amount of monies and Investment Securities held in the Bond Proceeds Account, the Redemption Account, the Revenue Account and the Debt Service Reserve Account (valued at their cost to the Corporation, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, and the outstanding principal balance of Mortgage Loans, together with accrued but unpaid interest thereon, and any other assets, valued at their realizable value, pledged for the payment of the Bonds will exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds; provided, however, that in the event that a Supplemental Resolution authorizing the issuance of a Series of Bonds specifies that, for purposes of the requirements of this paragraph, the Mortgage Loans financed by such Series of Bonds shall be valued at other than their outstanding principal balance, then, with respect to such Mortgage Loans, such other value shall be used in the calculations required by this paragraph. Each Supplemental Resolution assigns a valuation to the Mortgage Loans financed thereunder; each such valuation had been established by the Corporation as a result of discussions with the Rating Agencies during the ratings process for each particular Series of Bonds. Pursuant to the respective Supplemental Resolutions, and for purposes of the requirements of this paragraph, the current value of the Mortgage Loans with respect to each Series of Bonds is as follows:

Valuation of Mortgage Loans

Series of Bonds	Value as a Percentage of Outstanding Principal Balance ³	Outstanding Principal Balance of Mortgage Loans ^{4,5}	Percentage of Total Outstanding Principal Balance of Mortgage Loans ^{4,5}
1994 Series A	100%	\$5,167,346	0.35%
1995 Series A	100%	\$16,178,536	1.11%
1996 Series A	76%	\$99,904,024	6.85%
1997 Series A	100%	\$9,959,734	0.68%
1997 Series B	71%	\$11,872,470	0.81%
1997 Series C	77.5%	\$32,675,777	2.24%
1998 Series A	96%	\$60,975,939	4.18%
1998 Series B	100%	\$20,251,362	1.39%
1999 Series A	85%	\$82,996,596	5.69%
1999 Series B ¹	78%	\$46,146,213	3.16%
1999 Series C	77%	\$5,594,425	0.38%
1999 Series D	78%	\$7,532,912	0.52%
1999 Series E ¹	100%	\$10,004,554	0.69%
2000 Series A	78%	\$6,867,211	0.47%
2000 Series B ^{1,2}	78%	\$24,095,087	1.65%
2001 Series A ¹	100%	\$28,799,589	1.97%
2001 Series B	99%	\$82,398,349	5.65%
2001 Series C ¹	78%	\$26,432,942	1.81%
2002 Series A ¹	80%	\$2,058,101	0.14%
2002 Series B	80%	\$7,103,370	0.49%
2002 Series C ^{1,2}	80%	\$36,104,090	2.47%
2002 Series D	80%	\$662,869,168	45.43%
2002 Series E ¹	80%	\$2,157,552	0.15%
2002 Series F	80%	\$4,595,197	0.31%
2003 Series A	99%	\$166,395,734	11.40%
2003 Series B	80%	—	—
2003 Series C	80%	—	—
2003 Series D	76%	—	—
TOTAL		\$1,459,136,279	100.00%

¹ The Corporation expects to make additional advances from Construction Mortgage Loans subsequent to March 31, 2003 (see “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program—Developments and Construction Mortgage Loans Outstanding Under the Program as of March 31, 2003”).

² The Corporation also expects to acquire additional Permanent Mortgage Loan(s) subsequent to March 31, 2003 (see “Appendix E-2—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2000 Series B Bonds and the 2002 Series C Bonds”).

³ As of March 31, 2003 for each Series of Bonds other than the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, and as of the date of delivery for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds.

⁴ Based upon the outstanding principal balance of Mortgage Loans as of March 31, 2003 for each Series of Bonds.

⁵ May not add due to rounding.

However, with respect to certain Mortgage Loans financed and expected to be financed by a Series of Bonds, the Corporation may increase or decrease the foregoing percentage with respect to any such Mortgage Loan by furnishing to the Trustee (i) a Certificate of an Authorized Officer specifying such higher or lower percentage and (ii) evidence satisfactory to the Trustee that each Rating Agency shall have approved the use of such higher or lower percentage without such use having an adverse effect on its rating on the Bonds.

A Cash Flow Statement consists of a statement of an Authorized Officer of the Corporation giving effect to actions proposed to be taken and demonstrating in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding that amounts then expected to be on deposit in the Accounts in each such Bond Year will be at least equal to all amounts required by the General Resolution to be on deposit in the Accounts for the payment of the principal and Redemption Price of and interest on the Bonds and for the funding of the Debt Service Reserve Account to the Debt Service Reserve Account Requirement. However, a Supplemental Resolution may provide that an Account established in such Supplemental Resolution not be taken into account when preparing the Cash Flow Statement. The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions are to be based upon the Corporation's reasonable expectations and must not adversely affect any of the Rating Agencies' ratings on the Bonds. In calculating the amount of interest due in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding on Bonds bearing interest at a variable rate, the interest rate used shall be assumed to be the fixed rate, which in the judgment of the remarketing agent for such Bonds, or such other financial consultant selected by the Corporation and experienced in the sale of municipal securities (having due regard to the prevailing market conditions), would be necessary to enable such Bonds to be sold at par in the secondary market on the date of such calculation or such higher or lower rate which does not adversely affect any of the Rating Agencies' ratings on the Bonds. Upon filing a Cash Flow Statement with the Trustee, the Corporation is to perform its obligations under the General Resolution in accordance, in all material respects, with the assumptions set forth in such Cash Flow Statement. Except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to a date not more than 180 days prior to the date of delivery of such statement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

In lieu of filing a Cash Flow Statement, a Cash Flow Certificate may be filed in order to take the actions described in (1) clause (iii) of the third preceding paragraph or (2) clause (v) of the third preceding paragraph relating to amending Mortgage Loans but only if, in the judgment of the Corporation, such amendments do not materially adversely affect the cash flow projections contained in the last Cash Flow Statement. A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Corporation to the effect of one of the following:

(a) The proposed action is consistent with the assumptions set forth in the latest Cash Flow Statement; or

(b) After giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, amounts expected to be on deposit in the Accounts in each such Bond Year will be at least equal to all amounts required by the General Resolution to be on deposit in such Accounts for the payment of the principal and Redemption Price of and interest on the Bonds, and for the funding of the Debt Service Reserve Account to the Debt Service Reserve Account Requirement, except that to the extent specified in

a Supplemental Resolution, an Account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow Certificate; or

(c) The proposed action will not in and of itself adversely affect the amounts expected to be on deposit in the Accounts in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, except that the Cash Flow Certificate shall not consider any Accounts which a Supplemental Resolution specifies shall not be taken into account in connection with the delivery of a Cash Flow Certificate.

Debt Service Reserve Account

The Corporation is required to establish a Debt Service Reserve Account for the Bonds pursuant to the General Resolution. Under the General Resolution, the Debt Service Reserve Account Requirement is the aggregate of the amounts specified as the Debt Service Reserve Account Requirement for each Series of Bonds in a Supplemental Resolution authorizing the issuance of such Series of Bonds. There is no minimum Debt Service Reserve Account Requirement under the General Resolution. The General Resolution further provides that the Debt Service Reserve Account Requirement for any Series of Bonds may be funded, in whole or in part, through Cash Equivalents if so provided in a Supplemental Resolution authorizing such Series. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Debt Service Reserve Account.”

Under the terms of the 2003 Series B-1 Supplemental Resolution, the Debt Service Reserve Account Requirement, with respect to the 2003 Series B-1 Bonds, shall equal, as of any date of calculation, the maximum amount of interest of the 2003 Series B-1 Bonds for the current or any future semiannual period. Under the terms of the 2003 Series B-2 Supplemental Resolution, the Debt Service Reserve Account Requirement, with respect to the 2003 Series B-2 Bonds, shall equal, as of any date of calculation, the maximum amount of Debt Service of the 2003 Series B-2 Bonds for the current or any future semiannual period, excluding the final maturity. Under the terms of the 2003 Series C Supplemental Resolution, the Debt Service Reserve Account Requirement, with respect to the 2003 Series C Bonds, shall equal, as of any date of calculation, the maximum amount of Debt Service of the 2003 Series C Bonds for the current or any future semiannual period. Under the terms of the 2003 Series D Supplemental Resolution, the Debt Service Reserve Account Requirement, with respect to the 2003 Series D Bonds, shall equal, as of any date of calculation, seven and one-half percent (7½%) of the principal amount of the 2003 Series D Bonds Outstanding. The Corporation will enter into the Funding Agreement whereby the Corporation will agree to pay Debt Service on the 2003 Series D Bonds in an amount equal to the Debt Service Reserve Account Requirement with respect to the 2003 Series D Bonds in the event other available amounts are insufficient therefor. Said payment obligation will be a general obligation of the Corporation, subject to any agreements with the holders of particular notes or bonds pledging any particular revenues (see Appendix B hereto for the financial statements of the Corporation for the fiscal year ended October 31, 2002). Pursuant to the 2003 Series D Supplemental Resolution, said instrument shall constitute a Cash Equivalent for purposes of the General Resolution. Although under any Supplemental Resolution authorizing a particular Series of Bonds one or more reserve accounts may be established for the purpose of securing only Bonds of such Series, no such reserve accounts are created under the 2003 Supplemental Resolutions for the sole benefit of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds or the 2003 Series D Bonds.

Upon delivery of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, and funding of the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Account Requirement for each respective Series of such Bonds, the

Debt Service Reserve Account Requirement for all of the Outstanding Bonds will be met. As of March 31, 2003, the Debt Service Reserve Account had a balance of \$44,357,929.

The General Resolution requires that if on any Interest Payment Date or Redemption Date the amount available in the Revenue Account and Redemption Account, as applicable, is insufficient to pay Principal Installments and interest due on any Bonds, the Trustee must apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

Interest Rate Caps

In connection with the issuance of the 2002 Series C Bonds and the 2002 Series D Bonds, the Corporation implemented a plan, and in connection with the 2003 Series D Bonds, the Corporation intends to implement a plan, to manage its exposure to variable interest rate risk. The Corporation entered into the Interest Rate Cap Agreements with TFA under which, in exchange for an upfront payment from the Corporation, TFA agreed to pay an amount equal to interest on specified amortizing notional amounts calculated using the amount by which Three-Month LIBOR exceeds the Strike Rate. The Corporation has pledged the payments actually received from TFA pursuant to the Interest Rate Cap Agreements to the General Resolution for the benefit of the Bondholders.

With respect to an initial notional amount of \$49,395,000 which amortizes on a quarterly basis commencing August 1, 2004 through May 1, 2009, TFA is obligated to pay to the Corporation with respect to the outstanding notional amount, an amount calculated using the rate by which Three-Month LIBOR exceeds a Strike Rate of 7.35% for the period from May 1, 2004 through May 1, 2009.

With respect to an initial notional amount of \$149,600,000 which amortizes on a quarterly basis commencing August 1, 2009 through November 1, 2032, TFA is obligated to pay to the Corporation with respect to the outstanding notional amount, an amount calculated using the rate by which Three-Month LIBOR exceeds a Strike Rate of 7.35% for the period from the date of issuance of the 2002 Series D Bonds through November 1, 2032.

With respect to an initial notional amount of \$135,400,000 which amortizes on a quarterly basis commencing August 1, 2007 through May 1, 2027, TFA is obligated to pay to the Corporation with respect to the outstanding notional amount, an amount calculated using the rate by which Three-Month LIBOR exceeds a Strike Rate of (a) 4.85% for the period from the date of issuance of the 2002 Series D Bonds through April 30, 2007 and (b) 7.35% from May 1, 2007 through May 1, 2027.

Under each of the Interest Rate Cap Agreements, TFA is not obligated to pay the Corporation with respect to such notional amounts, the amount by which the rate exceeds of a ceiling rate of 14.85%.

TFA is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York created by Chapter 16 of the Laws of 1997, as amended. The obligation of TFA to make payments required by the Interest Rate Cap Agreements, other than termination payments, will rank on a parity with its obligations to pay debt service on TFA Senior Bonds. See "PLAN OF FINANCING — Interest Rate Caps."

Additional Security

Under the General Resolution, payment of the principal or redemption or purchase price of and interest on each Series of Bonds issued thereunder may, but is not required to, be secured by a letter of

credit, bond insurance, financial guaranty or other credit or liquidity enhancement. In connection with obtaining any such credit or liquidity enhancement, the Corporation is permitted under the General Resolution to pledge to the provider thereof its interests in the Mortgage Loans and the Accounts. The 2003 Bonds will not have the benefit of any such credit enhancement. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

Additional Bonds

Additional Bonds, subordinate to or on parity with the Bonds then Outstanding, may be issued by the Corporation pursuant to the General Resolution. Prior to the issuance of any such additional Bonds (other than the Subordinate Bonds), the General Resolution requires that the Trustee be provided with, among other things, confirmation of the then existing rating on the Bonds (other than the Subordinate Bonds) by each of the Rating Agencies then rating such Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” for a description of the requirements that must be met under the General Resolution prior to the issuance of additional Bonds.

Bonds Not a Debt of the State or the City

The Bonds are not a debt of the State or the City and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

Certain Investments

Notwithstanding anything to the contrary contained in the General Resolution, any Investment Securities purchased by the Trustee with funds that are pledged pursuant to the General Resolution must, as of the date of such purchase, be rated by each of the Rating Agencies in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) (or “A-1+” or “P-1,” as applicable, if the Investment Security has a remaining term at the time it is provided not exceeding one year); provided, however, that the Trustee may purchase Investment Securities that are rated lower than that set forth above, so long as the purchase of such Investment Securities does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies. A change in the rating of any Investment Securities purchased by the Trustee, subsequent to the date of purchase, would not require the Trustee to sell such Investment Securities. If a Rating Agency were to downgrade or withdraw the rating on any Investment Securities previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See “RATINGS.” Investment earnings on Accounts are to be transferred to the Revenue Account except as otherwise provided by the General Resolution. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Deposits and Investments” and “—Revenue Account.”

The following tables set forth for each Series of Bonds: the type of investment, the investment agreement, the counterparties to the respective investment agreements with the Corporation and the Trustee (which includes Bayerische Landesbank, New York Branch (“Bayerische”), Westdeutsche Landesbank Girozentrale, New York Branch (“West LB”), Bank of America, N.A. (“Bank of America”), Morgan Guaranty Trust Company of New York, New York Branch (“Morgan”), Societe Generale, New York Branch (“Societe Generale”), and Swiss Bank Corp. (“SBC Securities”)), and the interest rate and the maturity date for such investments, for the Debt Service Reserve Account, the Bond Proceeds Account and certain of the amounts deposited in the Revenue Account as of March 31, 2003 for each

Series of Bonds other than the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, and as of June 26, 2003 for the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds. In addition, the following two (2) tables set forth for each Series of Bonds the amount of each investment for the Debt Service Reserve Account and the Bond Proceeds Account.

Debt Service Reserve Account

Series of Bonds [†]	Type of Investment	Type of Investment Agreement	Investment Provider	Amount	Interest Rate	Maturity Date
1994 Series A	††	††	††	††	††	††
1995 Series A	N/A	Repurchase Agreement	Bayerische	\$1,445,000	6.60%	5/01/12
1996 Series A	N/A	Repurchase Agreement	Bayerische	\$20,750,000	6.60%	5/01/12
1997 Series A	N/A	Repurchase Agreement	West LB	\$400,000	6.16%	10/31/18
1997 Series B	N/A	Repurchase Agreement	West LB	\$790,000	6.16%	10/31/18
1997 Series C	Time Deposit	Deposit Agreement	Bayerische	\$1,824,393	5.90%	4/30/11
1998 Series A	Time Deposit	Deposit Agreement	Bayerische	\$2,397,140	5.80%	5/01/30
1998 Series B	Time Deposit	Deposit Agreement	Bayerische	\$715,000	5.28%	11/01/31
1999 Series A	Time Deposit	Deposit Agreement	Bayerische	\$3,571,000	5.15%	5/01/37
1999 Series E	Time Deposit	Deposit Agreement	Bayerische	\$365,000	6.11%	6/01/36
2001 Series B	Time Deposit	Deposit Agreement	Bank of America	\$6,130,000	5.58%	11/01/16
2002 Series A	†††	†††	†††	\$2,337,563 ^{†††}	†††	†††
2002 Series B	†††	†††	†††	\$472,650 ^{†††}	†††	†††
2002 Series C	†††	†††	†††	\$3,712,500 ^{†††}	†††	†††
2002 Series D	N/A	Funding Agreement ^{††††}	Corporation ^{††††}	\$20,490,000 ^{††††}	N/A	8/01/32
2003 Series A	U.S. Treasury Bonds	Put Agreement	Morgan	\$2,531,000	7.125%	5/01/26
2003 Series A	††	††	††	††	††	††
2003 Series B-1	†††	†††	†††	\$1,094,366	†††	†††
2003 Series B-2	†††	†††	†††	\$109,538	†††	†††
2003 Series C	†††	†††	†††	\$234,930	†††	†††
2003 Series D	N/A	Funding Agreement ^{††††}	Corporation ^{††††}	\$4,807,500 ^{††††}	N/A	8/01/33

[†] The Debt Service Reserve Account Requirement with respect to the 1999 Series B Bonds, the 1999 Series C Bonds, the 1999 Series D Bonds, the 2000 Series A Bonds, the 2000 Series B Bonds, the 2001 Series A Bonds, the 2001 Series C Bonds, the 2002 Series E-1 Bonds, the 2002 Series E-2 Bonds and the 2002 Series F Bonds, respectively, equals zero dollars (\$0).

^{††} The Corporation is currently making investments for this Series of Bonds in various short-term Investment Securities.

^{†††} The Corporation has funded the Debt Service Reserve Account for this Series of Bonds with amounts already on deposit in the Debt Service Reserve Account from sources other than the proceeds of this Series of Bonds.

^{††††} To meet the Debt Service Reserve Account Requirement with respect to the 2002 Series D Bonds, the Corporation entered into a Funding Agreement with the Trustee, and to meet the Debt Service Reserve Account Requirement with respect to the 2003 Series D Bonds, the Corporation is expected to enter into a Funding Agreement with the Trustee on the date of issue. The payment obligation under such Funding Agreements is a general obligation of the Corporation.

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Bond Proceeds Account

Series of Bonds	Type of Investment	Type of Investment Agreement	Investment Provider	Amount	Interest Rate	Maturity Date
1999 Series A	†	†	†	†	†	†
1999 Series B	†	†	†	†	†	†
1999 Series E	†	†	†	†	†	†
2000 Series B	†	†	†	†	†	†
2001 Series A	†	†	†	†	†	†
2001 Series C-1	Time Deposit	Deposit Agreement	Bayerische	\$462,730	2.75%	8/01/03
2001 Series C-2	Time Deposit	Deposit Agreement	Bayerische	\$1,604,329	2.75%	8/01/03
2002 Series A	Time Deposit	Deposit Agreement	Bayerische	\$34,311,899	2.65%	10/01/04
2002 Series C	Time Deposit	Deposit Agreement	Bayerische	\$46,795,208	Three-Month LIBOR minus 0.11% ^{††}	10/01/04
2002 Series E-1	Time Deposit	Deposit Agreement	Bayerische	\$3,197,480	1.76%	4/01/05
2002 Series E-2	Time Deposit	Deposit Agreement	Bayerische	\$17,944,968	1.76%	4/01/05
2003 Series B-1	Time Deposit	Deposit Agreement	Bayerische	\$8,517,014	1.03%	8/01/05
2003 Series B-2	Time Deposit	Deposit Agreement	Bayerische	\$29,664,247	1.03%	8/01/05

† The Corporation is currently making investments for this Series of Bonds in various short-term Investment Securities.

†† For this purpose, “Three-Month LIBOR” means the per annum rate for deposits in United States dollars for three (3) months which appears on the Official BBA LIBOR Fixings Page as of 11:00 a.m. London, England time, on a determination date. “Official BBA LIBOR Fixings Page” means the display designated as page “Official BBA LIBOR Fixings” on the Bloomberg Financial Markets Commodities News Service (or such other page as may replace the Official BBA LIBOR Fixings page on that service for the purpose of displaying London interbank offered rates of major banks).

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Revenue Account

Series of Bonds	Type of Investment	Type of Investment Agreement	Investment Provider	Interest Rate	Maturity Date
1994 Series A	†	†	†	†	†
1995 Series A	N/A	Repurchase Agreement	Bayerische	6.60%	5/01/12
1996 Series A	N/A	Repurchase Agreement	Bayerische	6.60%	5/01/12
1997 Series A	N/A	Repurchase Agreement	West LB	6.16%	10/31/18
1997 Series B	N/A	Repurchase Agreement	West LB	6.16%	10/31/18
1997 Series C	Time Deposit	Deposit Agreement	Bayerische	5.90%	4/30/11
1998 Series A	Time Deposit	Deposit Agreement	Bayerische	5.80%	5/01/30
1998 Series B	Time Deposit	Deposit Agreement	Bayerische	5.28%	11/01/31
1999 Series A	Time Deposit	Deposit Agreement	Bayerische	5.15%	5/01/37
1999 Series B	Time Deposit	Deposit Agreement	Bayerische	5.665%	1/01/31
1999 Series C	Time Deposit	Deposit Agreement	Bayerische	5.665%	1/01/31
1999 Series D	Time Deposit	Deposit Agreement	Bayerische	5.665%	9/01/19
1999 Series E	Time Deposit	Deposit Agreement	Bayerische	6.11%	6/01/36
2001 Series A	Time Deposit	Deposit Agreement	Bank of America	5.58%	11/01/42
2001 Series B	Time Deposit	Deposit Agreement	Bank of America	5.58%	11/01/42
2001 Series C-1	N/A	Repurchase Agreement	SBC Securities	1.18%	5/30/03
2001 Series C-2	†	†	†	†	†
2002 Series A	Time Deposit	Deposit Agreement	Bayerische	2.65%	11/01/34
2002 Series B	Time Deposit	Deposit Agreement	Bayerische	2.65%	11/01/32
2002 Series C	Time Deposit	Deposit Agreement	Bayerische	2.65%	5/01/34
2002 Series D (Revenue Account)	Time Deposit	Deposit Agreement	Bayerische	4.91%	11/01/32
2002 Series D (Capitalized Interest Sub- Account)	Time Deposit	Deposit Agreement	Bayerische	3.91%	5/01/07
2002 Series E-1	Time Deposit	Deposit Agreement	Bayerische	1.76%	11/01/06
2002 Series E-2	Time Deposit	Deposit Agreement	Bayerische	1.76%	12/01/15
2002 Series F	Time Deposit	Deposit Agreement	Bayerische	1.76%	12/01/15
2003 Series A	†	†	†	†	†
2003 Series B-1	Time Deposit	Deposit Agreement	Societe Generale	3.50%	11/01/36
2003 Series B-2	Time Deposit	Deposit Agreement	Societe Generale	3.50%	11/01/36
2003 Series C	Time Deposit	Deposit Agreement	Societe Generale	3.50%	11/01/16
2003 Series D	Time Deposit	Deposit Agreement	Societe Generale	3.50%	8/01/33

† The Corporation is currently making investments for this Series of Bonds in various short-term Investment Securities.

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SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

Set forth below are abridged or summarized excerpts of certain sections of the General Resolution. In some instances, the General Resolution permits the modification of certain of its provisions by a Supplemental Resolution relating to a specific Series of Bonds. Certain of such permitted modifications, which have been made with respect to the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds by the provisions of the 2003 Series B-1 Supplemental Resolution, the 2003 Series B-2 Supplemental Resolution, the 2003 Series C Supplemental Resolution and the 2003 Series D Supplemental Resolution, respectively, have been summarized below. Prior to the issuance of the 2003 Bonds, other Supplemental Resolutions authorizing other Series of Bonds have also modified certain provisions of the General Resolution with respect to the Series of Bonds authorized thereunder and such modifications have not been summarized below. Certain modifications to the General Resolution, which have been made with respect to the 2002 Series D Bonds by the provisions of the Twenty-Seventh Supplemental Resolution, have also been summarized below. These have been included because the outstanding principal balance of certain of the Mortgage Loans financed with the proceeds of the 2002 Series D Bonds, which Mortgage Loans are not secured by supplemental security and, in some cases, are not subsidized under any subsidy program, exceeds 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the General Resolution. The excerpts set forth below do not purport to be complete or to cover all sections of the General Resolution. Reference is made to the General Resolution, the Twenty-Seventh Supplemental Resolution, the 2003 Series B-1 Supplemental Resolution, the 2003 Series B-2 Supplemental Resolution, the 2003 Series C Supplemental Resolution and the 2003 Series D Supplemental Resolution, copies of which are on file with the Corporation and the Trustee, for a complete statement of the rights, duties and obligations of the Corporation, the Trustee and the Bond owners thereunder.

Contract With Bond Owners—Security for Bonds—Limited Obligation

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the General Resolution shall be deemed to be and shall constitute a contract among the Corporation, the Trustee and the owners from time to time of such Bonds. The pledges and assignments made in the General Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for the benefit, protection and security of the owners of any and all of such Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the General Resolution or a Supplemental Resolution authorizing a Series of Bonds. The Corporation pledges the Revenues and all amounts held in any Account established under the General Resolution to the payment of the principal or Redemption Price of and interest on the Bonds, subject to provisions permitting the use and application of such amounts for stated purposes, as provided in the General Resolution; provided, however, that notwithstanding anything to the contrary contained in the General Resolution, the Corporation may, pursuant to a Supplemental Resolution authorizing the issuance of a Series of Bonds, also pledge such Revenues and amounts to one or more Credit Facility Providers who have provided Credit Facilities to secure such Series of Bonds and such further pledge may be either on a parity with or subordinate to the pledge set forth in this paragraph to secure the payment of the Bonds, all as set forth in such Supplemental Resolution; and provided further, however, that the Corporation may, pursuant to a Supplemental Resolution, provide that amounts in an Account established

pursuant to such Supplemental Resolution be excluded from the pledge set forth in this paragraph to secure the payment of the Bonds or otherwise limit such pledge with respect to such Account. The foregoing pledge does not include amounts on deposit in or required to be deposited in the Rebate Fund. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

Provisions for Issuance of Bonds

In order to provide sufficient funds for financing the Corporation Corporate Purposes, Bonds of the Corporation are authorized to be issued without limitation as to amount except as may be provided by law. The Bonds shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only upon the receipt by the Trustee of, among other things:

- (a) a Bond Counsel's Opinion to the effect that (i) the General Resolution and the Supplemental Resolution have been duly adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and other laws affecting creditors' rights and remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)); (ii) the General Resolution and such Supplemental Resolution create the valid pledge and lien which they purport to create of and on the Revenues and all the Accounts established under the General Resolution and such Supplemental Resolution and monies and securities on deposit therein, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the General Resolution and such Supplemental Resolution; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the laws of the State, including the Act as amended to the date of such Opinion, and in accordance with the General Resolution and such Supplemental Resolution;
- (b) a written order as to the delivery of such Bonds, signed by an Authorized Officer;
- (c) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the General Resolution;
- (d) a Cash Flow Statement conforming to the requirements of the General Resolution; and
- (e) except with respect to the initial Series of Bonds issued under the General Resolution, confirmation of the then existing rating on the Bonds (other than Subordinate Bonds) by each of the Rating Agencies.

Refunding Bonds

Refunding Bonds of the Corporation may be issued under and secured by the General Resolution, subject to the conditions provided in the General Resolution, from time to time, for the purpose of providing funds, with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium thereon (or

premium, to the extent permitted by law, included in the purchase price, if purchased in lieu of redemption), (ii) making any required deposits to the Debt Service Reserve Account, (iii) if deemed necessary by the Corporation, paying the interest to accrue on the refunding Bonds or refunded Bonds to the date fixed for their redemption (or purchase) and (iv) paying any expenses in connection with such refunding. Before such Bonds shall be issued, the Corporation shall adopt a Supplemental Resolution authorizing the issuance and sale of such Bonds, fixing the amount and the details thereof, describing the Bonds to be redeemed and setting forth determinations required by the General Resolution.

Except as otherwise provided in the Supplemental Resolution authorizing a Series of refunding Bonds, refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of the General Resolution as all other Bonds (other than Subordinate Bonds) issued under the General Resolution, provided, however, a Supplemental Resolution may provide for differences in the maturities thereof or the Interest Payment Dates or the rate or rates of interest or the provisions for redemption.

Before any Series of refunding Bonds shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee, among other things, the following:

- (a) the documents specified under the heading "Provisions for Issuance of Bonds";
- (b) a certificate of an Authorized Officer stating that the proceeds (excluding accrued interest but including any premium) of such refunding Bonds, together with any monies which have been made available to the Trustee for the purpose of paying Debt Service, or the principal of and the interest on the investment of such proceeds or any such monies, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption and the expenses in connection with such refunding and to make any required deposits to the Debt Service Reserve Account; and
- (c) if all or part of the refunded Bonds are to be redeemed prior to maturity, irrevocable instructions from an Authorized Officer to the Trustee to redeem the applicable Bonds.

The proceeds of such refunding Bonds and the investment income therefrom shall, to the extent practicable, be invested and reinvested by the Trustee, with the approval of the Corporation in Investment Securities, and the monies so invested shall be available for use when required.

Application and Disbursement of Bond Proceeds

Unless otherwise provided in the applicable Supplemental Resolution, the proceeds of sale of a Series of Bonds, shall, as soon as practicable upon the delivery of such Bonds by the Trustee, be applied as follows:

- (1) the amount, if any, received at such time as a premium above the aggregate principal amount of such Bonds shall be applied as specified in the Certificate of an Authorized Officer, and such portion of the amount, if any, received as accrued interest shall be deposited in the Revenue Account as shall be directed by an Authorized Officer;
- (2) with respect to any Series issued for the purpose of refunding Bonds or any other bonds, notes or other obligations of the Corporation or other entity, the amount, if any, required to

pay Costs of Issuance, as designated by an Authorized Officer of the Corporation, shall be deposited in the Bond Proceeds Account;

(3) with respect to any Series issued for the purpose of refunding Bonds or any other bonds, notes or other obligations of the Corporation or other entity, the balance remaining after such deposits have been made as specified in (1) and (2) above shall be applied as specified in the Supplemental Resolution authorizing such Series;

(4) the amount, if any, necessary to cause the amount on deposit in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement immediately following the time of such delivery shall be deposited in the Debt Service Reserve Account together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Bonds; and

(5) the balance remaining after such deposits have been made shall be deposited in the Bond Proceeds Account.

Except as otherwise provided in the applicable Supplemental Resolution, amounts in the Bond Proceeds Account shall not be disbursed for financing a Mortgage Loan, including either advances during construction or permanent financing thereof, unless, among other things, (1) the instrument evidencing such Mortgage Loan and the Mortgage and any other document securing such Mortgage Loan shall have been duly executed and delivered and, in the opinion of counsel, who may be counsel to the Mortgagor, constitute valid and binding agreements between the parties thereto enforceable in accordance with their terms, except as such enforcement may be limited by operation of bankruptcy, insolvency or similar laws affecting the rights and remedies of creditors; (2) there shall have been filed with the Trustee, an opinion of counsel, who may be counsel to the Corporation, to the effect that such Mortgage Loan complies with all provisions of the Act or otherwise applicable law and the General Resolution; (3) the Mortgage is the subject of a policy of title insurance, in an amount not less than the amount of the unpaid principal balance of the Mortgage Loan, insuring in favor of the Corporation, a mortgage lien (which need not be a first mortgage lien, if so provided in the applicable Supplemental Resolution), subject only to Permitted Encumbrances, on the real property securing the Mortgage Loan; and (4) the Project is insured against loss by fire and other hazards as required by the Corporation.

Deposits and Investments

Any amounts that are pledged pursuant to the General Resolution and held by the Trustee in any Accounts under or pursuant to the General Resolution may be invested in Investment Securities. In computing the amount in any Account, obligations purchased as an investment of monies therein shall be valued at amortized value or if purchased at par value, at par.

Upon receipt of written instructions from an Authorized Officer of the Corporation, the Trustee shall exchange any coin or currency of the United States of America or Investment Securities held by it pursuant to the General Resolution or any Supplemental Resolution for any other coin or currency of the United States of America or Investment Securities of like amount.

Notwithstanding anything to the contrary contained in the General Resolution, any Investment Securities purchased by the Trustee with funds that are pledged pursuant to the General Resolution must, as of the date of such purchase, be rated by each of the Rating Agencies in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) (or "A-1+" or "P-1," as applicable if the

Investment Security has a remaining term at the time it is provided not exceeding one year); provided, however, that the Trustee may purchase Investment Securities that are rated lower than that set forth above, so long as the purchase of such Investment Securities does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies.

Establishment of Accounts

The General Resolution establishes the following special trust accounts to be held and maintained by the Trustee in accordance with the General Resolution:

- (1) Bond Proceeds Account;
- (2) Revenue Account;
- (3) Redemption Account; and
- (4) Debt Service Reserve Account.

Bond Proceeds Account

There shall be deposited from time to time in the Bond Proceeds Account any proceeds of the sale of Bonds representing principal or premium or other amounts required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution and any other amounts determined by the Corporation to be deposited therein from time to time. Upon the issuance, sale and delivery of any Series of Bonds pursuant to the General Resolution, the Corporation shall establish on the books of the Corporation a separate sub-account designated “_____ Series _____ Bond Proceeds Sub-Account” (inserting therein the appropriate series and other necessary designation). Upon payment of any amounts from the Bond Proceeds Account, such payments shall be charged to the appropriate Bond Proceeds Sub-Account on the books of the Corporation.

Amounts in the Bond Proceeds Account shall be expended only (i) to finance one or more of the Corporation Corporate Purposes, including but not limited to, the financing of Mortgage Loans, in accordance with the General Resolution, which may include making Mortgage Loans, acquiring Mortgage Loans or refinancing Mortgage Loans; (ii) to pay Costs of Issuance; (iii) to pay principal of and interest on the Bonds when due, in accordance with the General Resolution, to the extent amounts in the Revenue Account are insufficient for such purpose; (iv) to purchase or redeem Bonds in accordance with the General Resolution; (v) to pay, purchase or redeem bonds, notes or other obligations of the Corporation or any other entity in accordance with the General Resolution; and (vi) if so provided in a Supplemental Resolution, to reimburse a Credit Facility Provider for amounts obtained under a Credit Facility for the purposes described in clauses (iii), (iv) or (v) of this paragraph.

At least one day prior to each Interest Payment Date the Corporation shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amounts necessary and available to pay the principal of and interest on the Bonds from the amount on deposit in the Bond Proceeds Account, after giving effect to the actual and expected application of amounts therein to the financing of the Corporation Corporate Purposes as of the date of such Certificate, the amount on deposit for such use in the Revenue Account, and any other amount available for such use pursuant to a Supplemental Resolution. On each Interest Payment Date the Trustee shall transfer the amounts so stated to the Revenue Account.

If so provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, the Corporation may direct the Trustee in writing to transfer amounts in the Bond Proceeds Account to fund the payment, purchase or redemption of bonds, notes or other obligations, which may include interest thereon, theretofore issued by the Corporation or any other entity upon receipt by the Trustee of a written requisition setting forth (i) the issue of bonds, notes or other obligations with respect to which the transfer is to be made, and (ii) the amount of the transfer.

Revenue Account

The Corporation shall cause all Pledged Receipts to be deposited promptly with the Trustee in the Revenue Account. There shall also be deposited in the Revenue Account any other amounts required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution. Earnings on all Accounts established under the General Resolution not required to be deposited in the Rebate Fund shall be deposited, as realized, in the Revenue Account.

The Trustee shall pay out of the Revenue Account (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date, and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by the Trustee to such payments; provided, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Account which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Any amount accumulated in the Revenue Account up to the unsatisfied balance of each Sinking Fund Payment may, and if so directed in writing by the Corporation shall, be applied (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment (i) to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price plus accrued interest, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above; provided, however, that the purchase of such Bonds may be at prices exceeding that set forth in clause (i) of this paragraph if the Corporation shall have filed with the Trustee a Cash Flow Statement pursuant to the General Resolution, and provided further, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the purchases referred to in this paragraph, then amounts in the Revenue Account which would have otherwise been used to make such purchases may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Except as otherwise provided in an applicable Supplemental Resolution, upon the purchase or redemption of any Bond for which Sinking Fund Payments have been established from amounts in the Revenue Account, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption.

As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall call for redemption on such due date, Bonds of the maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has monies in the Revenue Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date.

On each Interest Payment Date, the Trustee shall transfer from the Revenue Account (i) first, to the Debt Service Reserve Account, an amount equal to the amount necessary to be transferred to such Account in order that the amount on deposit therein be equal to the Debt Service Reserve Account Requirement (or such lesser amount as may be available), (ii) second, to the Bond Proceeds Account, such amount as the Corporation determines is required to finance Corporation Corporate Purposes, as evidenced by a Certificate of an Authorized Officer, (iii) third, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses, (iv) fourth, if so directed by the Corporation, to any Credit Facility Providers, an amount equal to any fees due and owing to such Credit Facility Providers, (v) fifth, to the Corporation, an amount equal to the administrative fee, if any, of the Corporation, to the extent unpaid and (vi) sixth, to the entities providing Investment Securities with respect to the Accounts or any arrangements or agreements with respect thereto, amounts equal to the fees due and payable on or before the next succeeding Interest Payment Date to such entities, as designated in a Certificate of an Authorized Officer. At any time after the transfers described in (i), (ii), (iii), (iv), (v) and (vi) above have been made, except as otherwise provided in a Supplemental Resolution, the Corporation may, upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate pursuant to the General Resolution, withdraw free and clear of the lien of the General Resolution any amount remaining in the Revenue Account.

Notwithstanding any other provision under this heading, the Trustee may at any time make transfers from the Revenue Account, upon the written direction of an Authorized Officer, to the Redemption Account for the purposes of such Account. No such transfer shall be made, however, unless there is on deposit in the Revenue Account after such transfer an amount equal to the Debt Service accrued on all Outstanding Bonds as of the date of such transfer.

Notwithstanding any other provision under this heading, no payments shall be required to be made into the Revenue Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by the Corporation may be applied to any corporate purpose of the Corporation free and clear of the pledge and lien of the General Resolution.

2002 Series D Capitalized Interest Sub-Account

Pursuant to the Twenty-Seventh Supplemental Resolution, a 2002 Series D Capitalized Interest Sub-Account of the Revenue Account has been established. There shall be deposited in the 2002 Series D Capitalized Interest Sub-Account of the Revenue Account all amounts required to be deposited therein pursuant to the Twenty-Seventh Supplemental Resolution and any other amounts received and determined to be deposited therein by the Corporation. Notwithstanding any other provision of the General Resolution, monies in the 2002 Series D Capitalized Interest Sub-Account shall be applied by the Trustee solely for the purpose of the payment, at the times and in the amounts needed, of interest due on Outstanding 2002 Series D Bonds; provided that (i) if other amounts held under the General Resolution are insufficient therefor, amounts in the 2002 Series D Capitalized Interest Sub-Account may be used for the payment of principal of, redemption premium, if any, or interest on any Bonds and (ii) if, at any time,

the Corporation determines that amounts in the 2002 Series D Capitalized Interest Sub-Account are not expected to be needed for the payment of interest on the 2002 Series D Bonds, the Trustee shall, at the direction of the Corporation, transfer the amount specified by the Corporation from the 2002 Series D Capitalized Interest Sub-Account to the Redemption Account. Subject to the foregoing, amounts in the 2002 Series D Capitalized Interest Sub-Account shall be used to pay interest on the 2002 Series D Bonds prior to using any other amounts under the General Resolution for such purpose.

Redemption Account

There shall be deposited in the Redemption Account all amounts which are required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of the General Resolution or of any Supplemental Resolution authorizing the issuance of a Series of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in the General Resolution.

Notwithstanding anything to the contrary contained in the General Resolution, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Account which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Debt Service Reserve Account

There shall be deposited in the Debt Service Reserve Account all amounts required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution and any other amounts received and determined to be deposited therein by the Corporation.

Amounts on deposit in the Debt Service Reserve Account shall be applied, to the extent other funds are not available therefor pursuant to the General Resolution and the applicable Supplemental Resolution, to pay the Principal Installments of and interest on the Outstanding Bonds when due, whether by call for redemption or otherwise.

Whenever the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement, the amount of such excess, upon the direction of the Corporation, shall be transferred to the Revenue Account.

Monies in the Debt Service Reserve Account may, and at the direction of the Corporation shall, be withdrawn by the Trustee and deposited in the Redemption Account for the purchase or redemption of Bonds at any time, provided that subsequent to such purchase or redemption the amount in the Debt Service Reserve Account will not be less than the Debt Service Reserve Account Requirement.

If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Account and the Redemption Account, as applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

Notwithstanding anything to the contrary contained in the General Resolution, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Debt Service Reserve Account which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

The Twenty-Seventh Supplemental Resolution, with respect to the 2002 Series D Bonds, the 2003 Series B-1 Supplemental Resolution, with respect to the 2003 Series B-1 Bonds, the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B-2 Bonds, the 2003 Series C Supplemental Resolution, with respect to the 2003 Series C Bonds, and the 2003 Series D Supplemental Resolution, with respect to the 2003 Series D Bonds, each provide that, notwithstanding anything to the contrary contained in the General Resolution, the Corporation may, at any time, provide to the Trustee one or more Cash Equivalents for deposit in the Debt Service Reserve Account with respect to such Bonds. In the event any such Cash Equivalents are so provided (other than in connection with the initial issuance of the 2003 Series D Bonds or to replenish the Debt Service Reserve Account) in replacement of funds on deposit in the Debt Service Reserve Account, the Trustee shall make such deposit and transfer funds in an equivalent amount from the Debt Service Reserve Account to the Revenue Account.

Rebate Fund

The General Resolution also establishes the Rebate Fund as a special trust account to be held and maintained by the Trustee. Except as otherwise provided in a Supplemental Resolution with respect to an Account established thereunder which is not pledged to the payment of the Bonds or to any Credit Facility Provider in connection with a Credit Facility securing one or more Series of Bonds, earnings on all Accounts required to be deposited into the Rebate Fund shall be deposited, at least as frequently as the end of each fifth Bond Year and at the time that the last Bond that is part of the Series for which a Rebate Amount is required is discharged, into the Rebate Fund.

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bond owner or any other person other than as set forth in the General Resolution.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer, shall deposit in the Rebate Fund at least as frequently as the end of each fifth Bond Year and at the time that the last Bond that is part of the Series for which a Rebate Amount is required is discharged, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such time of calculation. The amount deposited in the Rebate Fund pursuant to the previous sentence shall be deposited from amounts withdrawn from the Revenue Account, and to the extent such amounts are not available in the Revenue Account, directly from earnings on the Accounts.

Amounts on deposit in the Rebate Fund shall be invested in the same manner as amounts on deposit in the Accounts, except as otherwise specified by an Authorized Officer to the extent necessary to comply with the covenant set forth in the General Resolution, and except that the income or interest earned and gains realized in excess of losses suffered by the Rebate Fund due to the investment thereof shall be deposited in or credited to the Rebate Fund from time to time and reinvested.

In the event that, on any date of calculation of the Rebate Amount, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Account.

The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the General Resolution, not later than sixty (60) days after the date on which all Bonds of a Series for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

Payment of Bonds

The Corporation covenants that it will duly and punctually pay or cause to be paid, as provided in the General Resolution, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Tax Covenants

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, any Bonds as designated in a Supplemental Resolution, to which the Corporation intends that the following covenants shall apply.

The Corporation shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes, except in the event that the owner of any such Bond is a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of the Code.

The Corporation shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations or other investment property, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

Except as otherwise permitted in a Supplemental Resolution authorizing the issuance of a Series of Bonds the Corporation shall not permit any person or “related person” (as defined in the Code) to purchase Bonds in an amount related to the Mortgage Loan to be acquired by the Corporation from such person or “related person.”

Pursuant to the provisions of the Twenty-Seventh Supplemental Resolution and the 2003 Series D Supplemental Resolution, the Corporation has designated the 2002 Series D Bonds and 2003 Series D Bonds as Bonds to which the Corporation intends the provisions under this heading to not apply.

Covenants with Respect to Mortgage Loans

The Corporation pledges for the benefit of the Bond owners all of its right, title and interest in and to the Mortgage Loans, which pledge shall be valid and binding from and after the date of adoption of the General Resolution. Such Mortgage Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding

as against all parties having claims of any kind in tort, contract or otherwise against the Corporation, irrespective of whether such parties have notice thereof. Notwithstanding anything to the contrary contained in the General Resolution, the Corporation may, pursuant to a Supplemental Resolution authorizing a Series of Bonds, (i) also pledge one or more Mortgage Loans for the benefit of one or more Credit Facility Providers who have provided Credit Facilities to secure such Series of Bonds and such further pledge may be either on a parity with or subordinate to the pledge set forth in this paragraph to secure the payment of the Bonds, all as set forth in such Supplemental Resolution or (ii) provide that any or all of the mortgage loans financed by the Series of Bonds authorized pursuant to such Supplemental Resolution be excluded from the pledge set forth in this paragraph to secure the payment of the Bonds or otherwise limit such pledge with respect to such mortgage loans. In addition, notwithstanding the foregoing, any Mortgage Loan pledged under the General Resolution may, at the written direction of the Corporation, be released from such pledge upon the filing with the Trustee of a Cash Flow Statement pursuant to the General Resolution. Upon the happening of an event of default specified under the heading "Events of Default," the written request of the Trustee or the owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds (other than Subordinate Bonds), the Corporation shall effectuate the assignment and deliver the Mortgage Loans to the Trustee. If, however, the Trustee and the Bond owners are restored to their positions in accordance with the General Resolution, the Trustee shall assign such Mortgage Loans with respect thereto back to the Corporation.

Notwithstanding the foregoing, pursuant to the Twenty-Seventh Supplemental Resolution and the 2003 Series D Supplemental Resolution, at such time as no 2002 Series D Bonds and 2003 Series D Bonds are Outstanding, the 2002 Series D Mortgage Loans and the 2003 Series D Mortgage Loans shall be released from the pledge set forth in the foregoing paragraph without the filing of a Cash Flow Statement or a Cash Flow Certificate.

In order to pay the Principal Installments of and interest on the Bonds when due, the Corporation shall, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, any other applicable law, the provisions of the General Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the kind permitted by the General Resolution, to finance the Corporation Corporate Purposes pursuant to the Act, any other applicable law and the General Resolution and any applicable Supplemental Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Mortgage Loans), (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on Mortgage Loans or any subsidy payments in connection with the Projects securing the Mortgage Loans or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loans, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made.

Pursuant to the Twenty-Seventh Supplemental Resolution with respect to the underlying 2002 Series D Purchased Mortgage Loans, pursuant to the 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, pursuant to the 2003 Series C Supplemental Resolution, with respect to the 2003 Series C Mortgage Loan, and pursuant to the 2003 Series D Supplemental Resolution, with respect to the underlying 2003 Series D Purchased Mortgage Loans, the following additional provisions shall apply:

(1) The Corporation shall take all steps, actions and proceedings reasonably necessary, in the judgment of the Corporation, to protect its rights with respect to the Mortgages securing such Mortgage Loans.

(2) Whenever, in the Corporation's judgment, it shall be necessary in order to protect and enforce the rights of the Corporation under a Mortgage securing an underlying 2002 Series D Mortgage Loan, a 2003 Series B Mortgage Loan, the 2003 Series C Mortgage Loan or an underlying 2003 Series D Purchased Mortgage Loan, as the case may be, and to protect and enforce the rights and interests of Bondholders, the Corporation may, in its discretion, commence foreclosure proceedings against each Mortgagor in default under the provisions of such Mortgage and/or, in protection and enforcement of its rights under such Mortgage, the Corporation may, in its discretion, acquire and take possession of the Project covered by such Mortgage by bidding for and purchasing such Project at the foreclosure sale thereof, by deed in lieu of foreclosure or otherwise.

(3) Upon acquisition by the Corporation of a Project securing an underlying 2002 Series D Mortgage Loan, a 2003 Series B Mortgage Loan, the 2003 Series C Mortgage Loan or an underlying 2003 Series D Purchased Mortgage Loan, as the case may be, by foreclosure, deed in lieu of foreclosure or otherwise, and so long as the Corporation shall have title thereto or be in possession thereof, the Corporation shall, as the case may be, operate and administer such Project in the place and stead of the Mortgagor and in the manner required of such Mortgagor by the terms and provisions of such Mortgage. The Corporation shall pay the Acquired Project Net Operating Income derived from such Acquired Project to the Trustee for deposit into the Revenue Fund.

(4) Notwithstanding the provisions of paragraph (3) above, upon acquisition by the Corporation of a Project securing an underlying 2002 Series D Mortgage Loan, a 2003 Series B Mortgage Loan, the 2003 Series C Mortgage Loan or an underlying 2003 Series D Purchased Mortgage Loan, as the case may be, whether by foreclosure, deed in lieu of foreclosure or otherwise:

(a) The Corporation may at any time thereafter sell such Project to another qualified entity and make a Mortgage Loan with respect thereto as if such entity were the original Mortgagor, provided that (i) the Mortgage securing such a Mortgage Loan shall contain the terms, conditions, provisions and limitations substantially similar to the Mortgage of such Project which had previously secured the related underlying 2002 Series D Purchased Mortgage Loan, 2003 Series B Mortgage Loan, 2003 Series C Mortgage Loan or underlying 2003 Series D Purchased Mortgage Loan, (ii) said new Mortgage Loan shall automatically become subject to the lien of the General Resolution and (iii) the Corporation shall file with the Trustee a Certificate of an Authorized Officer describing said replacement Mortgage Loan and specifying which underlying 2002 Series D Purchased Mortgage Loan, 2003 Series B Mortgage Loan, 2003 Series C Mortgage Loan or underlying 2003 Series D Purchased Mortgage Loan has been so replaced; or

(b) The Corporation may at any time thereafter sell such Project provided that the proceeds of such sale shall be treated as a Recovery of Principal.

(5) In addition, and as an alternative to the rights of the Corporation described above, following a default under an underlying 2002 Series D Purchased Mortgage Loan, a 2003 Series

B Mortgage Loan, the 2003 Series C Mortgage Loan or an underlying 2003 Series D Purchased Mortgage Loan, the Corporation may, in its discretion, cause or consent to the sale of a Project to another qualified entity and, in connection with any such sale (a) allow the purchaser to assume the related Mortgage, or (b) make a Mortgage Loan with respect thereto as if such entity were the original Mortgagor, if such sale shall occur after the original Mortgage shall have been discharged, provided, however, that (i) the Mortgage securing such a Mortgage Loan shall contain the terms, conditions, provisions and limitations substantially similar to the Mortgage of such Project which had previously secured the related underlying 2002 Series D Purchased Mortgage Loan, 2003 Series B Mortgage Loan, 2003 Series C Mortgage Loan or underlying 2003 Series D Purchased Mortgage Loan, (ii) said new Mortgage Loan shall automatically become subject to the lien of the General Resolution and (iii) the Corporation shall file with the Trustee a Certificate of an Authorized Officer describing said replacement Mortgage Loan and specifying which underlying 2002 Series D Purchased Mortgage Loan, 2003 Series B Mortgage Loan, 2003 Series C Mortgage Loan or underlying 2003 Series D Purchased Mortgage Loan has been so replaced.

(6) To the extent permitted by law, any rights of the Corporation set forth in (1)–(5) above may be exercised by a subsidiary of the Corporation established pursuant to Section 654-a of the Act.

Pursuant to the 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, in addition, and as a further alternative to the rights of the Corporation described in (1)–(6) above, following a default under a 2003 Series B Mortgage Loan, the Corporation may, in its discretion, obtain amounts under any letter of credit or other credit enhancement securing such 2003 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement, in accordance with the terms thereof; provided that if the Corporation obtains funds in an amount equal to the outstanding principal balance of such 2003 Series B Mortgage Loan, plus the lesser of (i) accrued interest thereon or (ii) the maximum amount available with respect to accrued interest thereon, pursuant to any such letter of credit, credit enhancement or other agreement, the Corporation shall immediately assign such 2003 Series B Mortgage Loan to or upon the order of the provider thereof free and clear of the lien of the General Resolution.

Issuance of Additional Obligations

The Corporation shall not hereafter create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a superior charge and lien on the Revenues and assets pledged under or pursuant to the General Resolution for the payment of the Bonds (other than Subordinate Bonds). In addition, the Corporation shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness (other than additional Bonds and except as expressly permitted by the General Resolution with respect to pledges made for the benefit of Credit Facility Providers) which will be secured by an equal charge and lien on the Revenues and assets pledged under or pursuant to the General Resolution. The Corporation expressly reserves the right (i) to issue one or more Series of Subordinate Bonds pursuant to Supplemental Resolutions and (ii) to issue one or more series of bonds, notes or other obligations pursuant to other resolutions which will be secured by a subordinate charge and lien on the Revenues and assets pledged under the General Resolution.

Sale of Mortgage Loans

The Corporation is authorized to sell, assign or otherwise dispose of a Mortgage Loan, in addition to a sale, assignment or disposition required pursuant to the General Resolution or any applicable Supplemental Resolution, provided the proceeds of such sale, assignment or disposition shall be treated as Recoveries of Principal for purposes of the General Resolution and provided, further, that, with respect to any Mortgage Loan not in default, a Cash Flow Statement is filed with the Trustee.

Disposition of Recoveries of Principal

All Recoveries of Principal shall be deposited in the Redemption Account and applied to the redemption of Bonds as soon as practically possible; provided, however, that, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, in lieu of such deposit, the Corporation may, upon filing a Cash Flow Statement, direct the Trustee to deposit all or a portion of any such Recoveries of Principal in the Bond Proceeds Account or the Revenue Account.

Powers of Amendment

Any modification of or amendment to the provisions of the General Resolution and of the rights and obligations of the Corporation and of the owners of the Bonds may be made by a Supplemental Resolution, with the written consent (given as provided in the General Resolution), (i) of the owners of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the owners of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the owners of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; provided, however, that in addition to the foregoing and notwithstanding anything to the contrary contained in the General Resolution, any modification of or amendment to a Supplemental Resolution authorizing the issuance of a Series of Bonds and of the rights and obligations of the Corporation and of the owners of the Bonds of such Series thereunder, in any particular, may, if no Bonds other than the Bonds of such Series are affected by the modification or amendment, be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall require the consent of Bond owners, with the written consent given as provided in the General Resolution, of at least two-thirds in principal amount of the Bonds of such Series Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified Series and maturity remain Outstanding however, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

The Corporation may adopt, without the consent of any owners of the Bonds, Supplemental Resolutions to, among other things, provide limitations and restrictions in addition to the limitations and restrictions contained in the General Resolution on the issuance of other evidences of indebtedness; add to

the covenants and agreements of limitations and restrictions on, the Corporation's other covenants and agreements or limitations and restrictions which are not contrary to or inconsistent with the General Resolution; surrender any right, power or privilege of the Corporation under the General Resolution, but only if the surrender is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Resolution; confirm any pledge under the General Resolution of the Revenues or of any other revenues or assets; modify any of the provisions of the General Resolution in any respect whatever (but no such modification shall be effective until all Bonds theretofore issued are no longer Outstanding); provide for the issuance of Bonds in coupon form payable to bearer; authorize the issuance of a Series of Bonds and prescribe the terms and conditions thereof; cure any ambiguity or correct any defect or inconsistent provision in the General Resolution (provided that the Trustee shall consent thereto); comply with the Code; pledge under the General Resolution any additional collateral as further security for the Bonds or specific Series of Bonds, including, but not limited to, additional Mortgage Loans or other assets or revenues; appoint a trustee (other than the Trustee) with respect to any Subordinate Bonds; or make any additions, deletions or modifications to the General Resolution which, in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners.

Events of Default

Each of the following events shall constitute an "Event of Default" with respect to the Bonds: (1) payment of the principal or Redemption Price, if any, of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; or (2) the Corporation shall fail or refuse to comply with the provisions of the General Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in any applicable Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the owners of not less than 5% in principal amount of the Outstanding Bonds (other than Subordinate Bonds).

Remedies

Upon the happening and continuance of any Event of Default specified in clause (1) of the preceding paragraph, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (2) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds (other than Subordinate Bonds), shall proceed, in its own name, subject to the provisions of the General Resolution, to protect and enforce the rights of the Bond owners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bond owners, including the right to require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to the Mortgage Loans and to require the Corporation to carry out any other covenants or agreements with such Bond owners, including the assignment of the Mortgage Loans, and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (5) by declaring all Outstanding Bonds due and payable (provided that with respect to an Event of Default specified in clause (2) of the preceding paragraph, no such declaration shall be made without the consent of the owners of 100% in principal amount of the Outstanding Bonds (other than Subordinate Bonds)), and if all defaults shall be cured, then, with the written consent of the owners of not less than 25% in principal amount of the Outstanding Bonds (other than Subordinate Bonds), by

annulling such declaration and its consequences; or (6) in the event that all Outstanding Bonds are declared due and payable, by selling Mortgage Loans and any Investment Securities securing such Bonds.

In the enforcement of any rights and remedies under the General Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Corporation for principal, Redemption Price, interest or otherwise, under any provisions of the General Resolution or a Supplemental Resolution or of the Bonds with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bond owners, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorneys' fees), and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Anything in the General Resolution to the contrary notwithstanding, the owners of the majority in principal amount of the Bonds then Outstanding (other than Subordinate Bonds) shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the General Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the General Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction.

No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Resolution, or for the protection or enforcement of any right under the General Resolution unless such owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25% in principal amount of the Bonds then Outstanding (other than Subordinate Bonds) shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the General Resolution granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses (including legal fees and expenses) and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing contained in the General Resolution shall affect or impair the right of any Bond owner to enforce the payment of the principal of and interest on such owner's Bonds, or the obligation of the Corporation to pay the principal of and interest on each Bond issued under the General Resolution to the owner thereof at the time and place in said Bond expressed.

Unless remedied or cured, the Trustee shall give to the Bond owners notice of each Event of Default under the General Resolution known to the Trustee within ninety (90) days after actual knowledge by the Trustee of the occurrence thereof. However, except in the case of default in the payment of the principal or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any payment required to be made into the Bond Proceeds Account, the Trustee may withhold such notice if it determines that the withholding of such notice is in the interest of the Bond owners.

Priority of Payments After Default

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of and interest then due on the Bonds affected, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of such Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the General Resolution, shall be applied as follows:

(1) Unless the principal of all of such Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due (other than with respect to Subordinate Bonds) in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference,

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any such Bonds (other than Subordinate Bonds) which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds (other than Subordinate Bonds) due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference,

THIRD: To the payment to the persons entitled thereto of all installments of interest then due with respect to Subordinate Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, and

FOURTH: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Subordinate Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Subordinate Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, first to the payment of the principal and interest then due and unpaid upon such Bonds (other than Subordinate Bonds) without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond (other than Subordinate Bonds) over any other such Bond (other than Subordinate Bonds), ratably, according to the amounts due respectively for principal and interest,

to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds (other than Subordinate Bonds), and second, to the payment of the principal and interest then due and unpaid upon the Subordinate Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Subordinate Bond over any other such Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Subordinate Bonds.

Defeasance

If the Corporation shall pay or cause to be paid to the owners of all Bonds then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of any Revenues and other monies, securities, funds and property pledged by the General Resolution and all other rights granted by the General Resolution shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, all Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if: (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give as provided in the General Resolution notice of redemption on said date of such Bonds, (ii) there shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) either (a) monies in an amount which shall be sufficient, or (b) Government Obligations or (c) obligations (1) validly issued by or on behalf of a state or political subdivision thereof, (2) the interest on which is excluded from gross income for federal income taxation purposes pursuant to Section 103(a) of the Code and (3) fully secured by a first lien on Government Obligations, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Bonds that the deposit required by this subsection has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the General Resolution and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. To the extent required for the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds, neither monies deposited with the Trustee pursuant to the General Resolution nor principal or interest payments on any such Government Obligations or obligations described in clause (c) above and deposited with the Trustee pursuant to the General Resolution shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations or obligations described in clause (c) above and deposited

with the Trustee pursuant to the General Resolution, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations described in clauses (b) or (c) above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and, if not required for the payment of such Bonds, any monies deposited with the Trustee pursuant to the General Resolution and principal and interest payments on the obligations described in clauses (b) or (c) above shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge. The Trustee may sell, transfer or otherwise dispose of the obligations described in clauses (b) and (c) above deposited with the Trustee pursuant to the General Resolution; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other obligations described in clauses (b) and (c) above, the principal of and the interest on which when due will provide monies which, together with the monies on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, in accordance with the General Resolution.

Amounts held by the Trustee for the payment of principal or Redemption Price of, or interest on, Bonds held by particular Bond owners with respect to which no claim for payment has been made shall be disposed of as provided by applicable law, or if there shall be no such applicable law, shall be returned to the Corporation three years after the date on which payment of such amounts would have been due.

RATINGS

Upon the issuance of the 2003 Bonds, Standard & Poor's Ratings Services and Moody's Investors Service, Inc. are expected to assign the 2003 Bonds ratings of "AA" and "Aa2," respectively. Ratings were applied for by the Corporation and certain information was supplied by the Corporation to such rating agencies to be considered in evaluating the 2003 Bonds. Such ratings reflect only the respective views of such rating agencies, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that either or both of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 2003 Bonds.

AGREEMENT OF THE STATE

Section 657 of the Act provides that the State pledges to and agrees with the holders of obligations of the Corporation, including owners of the 2003 Bonds, that it will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with the owners of the 2003 Bonds, or in any way impair the rights and remedies of such owners until the 2003 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners of the 2003 Bonds, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel

2003 Series B-1 Bonds and 2003 Series B-2 Bonds

In the opinion of Bond Counsel, under existing statutes and court decisions, (i) interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2003 Series B-1 Bond or 2003 Series B-2 Bond for any period during which such 2003 Series B-1 or 2003 Series B-2 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds or a “related person,” and (ii) interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering such opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagors of the 2003 Series B Developments and others in connection with the issuance of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, and Bond Counsel has assumed compliance by the Corporation and such Mortgagors of the 2003 Series B Developments with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds from gross income under Section 103 of the Code.

2003 Series C Bonds

In the opinion of Bond Counsel, under existing statutes and court decisions, (i) interest on the 2003 Series C Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2003 Series C Bond for any period during which such 2003 Series C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2003 Series C Bonds or a “related person,” and (ii) interest on the 2003 Series C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor of the 2003 Series C Development and others in connection with the issuance of the 2003 Series C Bonds, and Bond Counsel has assumed compliance by the Corporation and said Mortgagor of the 2003 Series C Development with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2003 Series C Bonds from gross income under Section 103 of the Code.

2003 Series D Bonds

In the opinion of Bond Counsel, interest on the 2003 Series D Bonds is included in gross income for federal income tax purposes pursuant to the Code.

2003 Bonds

In the opinion of Bond Counsel, under existing statutes, interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds or the 2003 Series D Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds, or under state and local tax law.

Summary of Certain Federal Tax Requirements

2003 Series B-1 Bonds and 2003 Series B-2 Bonds

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds for purposes of federal income taxation requires with respect to 2003 Series B Developments financed by the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds that (i) at least 25% of the units in such Developments be occupied during the "Qualified Project Period" (as defined in this paragraph) by individuals whose incomes, determined in a manner consistent with Section 8 of the 1937 Housing Act, do not exceed 60% of the median income for the area, as adjusted for family size, and (ii) all of the units of such Developments be rented or available for rental on a continuous basis during the Qualified Project Period. "Qualified Project Period" for such Developments financed with the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds means a period commencing upon the later of (a) occupancy of 10% of the units in such Development or (b) the date of issue of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in such Development or (ii) the first date on which no tax-exempt private activity bonds issued with respect to such Development are outstanding. Each such Development will meet the continuing low income requirement as long as an individual's income does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in such Development must be rented to an individual having an income of 60% or less of the area median income, as adjusted for family size.

An election is expected to be made by the Mortgagor of one of the aforementioned Developments, Clinton Parkview Apartments, to treat such Development as a deep rent skewed project which requires that (i) at least 15% of the low income units in such Development be occupied during the Qualified Project Period by individuals whose income is 40% or less of the median income for the area, as adjusted for family size, (ii) the gross rent of each low income unit in such Development not exceed 30% of the applicable income limit which applies to the individuals occupying the unit and (iii) the gross rent with respect to each low income unit in such Development not exceed one-half of the average gross rent with respect to units of comparable size which are not occupied by individuals who meet the applicable income limit. Under the deep rent skewing election, such Development will meet the continuing low income requirements as long as the income of the individuals occupying the unit does not

increase to more than 170% of the applicable limit. Upon an increase over 170% of the applicable limit, the next available low income unit must be rented to an individual having an income of 40% or less of the area median income.

2003 Series C Bonds

The Tax Reform Act of 1986, as amended (the "Tax Reform Act"), established the Internal Revenue Code of 1986, as amended (the "1986 Code"). The Prior Bonds were issued pursuant to a transition rule contained in the Tax Reform Act, and therefore the 2003 Series C Bonds remain subject to certain of the requirements contained in Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), as well as to certain of the requirements contained in the 1986 Code. (Hereafter the provisions of the 1954 Code and the 1986 Code made applicable to the 2003 Series C Bonds by the transition rule in the Tax Reform Act are referred to as the "Code," unless otherwise indicated.)

Applicable federal tax law provides that gross income for Federal income tax purposes does not include interest on the 2003 Series C Bonds which are issued to refund the Prior Bonds that were part of a series of refundings, the original bonds of which were issued before January 1, 1986, if the 2003 Series C Bonds meet the requirements of certain transition rules and all applicable requirements of the 1986 Code and the 1954 Code.

Under applicable provisions of the 1954 Code, the exclusion from gross income of interest on the 2003 Series C Bonds for purposes of federal income taxation requires with respect to the Development refinanced by the 2003 Series C Bonds that was originally financed by bonds of the Corporation issued in 1985 (the "Original Bonds") that (i) at least 20% of the units in such Development (15% if the Development is located in certain low income or economically distressed areas) be occupied during the "Qualified Project Period" (as defined in this paragraph) by individuals whose incomes, determined in a manner consistent with Section 8 of the 1937 Housing Act, at the time of initial occupancy do not exceed 80% of the median income for the area and (ii) all of the units of such Development be rented or available for rental on a continuous basis during the Qualified Project Period or for so long as any 2003 Series C Bonds are outstanding, whichever is longer. "Qualified Project Period" means a period commencing upon occupancy of 10% of the units in Development and running until the latest of (i) the date which is 10 years after occupancy of 50% of the units in such Development, (ii) the date which is subsequent to initial occupancy of the first such unit by a period of time equal to one-half of the sum of the total number of days which comprise the term of the 2003 Series C Bonds and the period of time that the Original Bonds and any prior obligations that refunded the Original Bonds remained outstanding or (iii) the date on which any assistance provided with respect to such Development under Section 8 of the 1937 Housing Act terminates.

Compliance and Additional Requirements

In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds, the Treasury Regulations provide that the exclusion of interest from gross income for federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

In addition, the Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C

Bonds in order that interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the proceeds of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds, yield and other limits regarding investments of the proceeds of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the United States.

The Corporation has covenanted in the Resolutions that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds shall be excluded from gross income for federal income tax purposes. The Corporation has included provisions in the Resolutions and its Federal Tax Regulatory Certificate and has established procedures in order to assure compliance with the requirements which must be met subsequent to the issuance of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds. In connection with the issuance of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, the Corporation is to enter into an agreement with the Mortgagor of each Development to be financed with the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds to assure compliance with the Code. In connection with the issuance of the Prior Bonds, the Corporation entered into an agreement with the Mortgagor of the Development refinanced with the proceeds of the 2003 Series C Bonds to assure compliance with the 1954 Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the provisions or procedures or certifications set forth therein, the remedies available to the Corporation and/or 2003 Series B-1 Bond, 2003 Series B-2 Bond and 2003 Series C Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds is payable.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2003 Series B-1 Bond, a 2003 Series B-2 Bond or a 2003 Series C Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own advisors regarding the federal tax consequences of owning and disposing of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds.

Prospective owners of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property, casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation

Legislation affecting municipal bonds is frequently considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds will not have an adverse effect on the tax-exempt status or market price of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds and the 2003 Series C Bonds.

NO LITIGATION

At the time of delivery and payment for the 2003 Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation substantially to the effect that there is no litigation or other proceeding of any nature now pending or threatened against or adversely affecting the Corporation of which the Corporation has notice or, to the Corporation's knowledge, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2003 Bonds or the retirement of the Prior Bonds, or in any way contesting or affecting the validity of the 2003 Bonds, the Resolutions, the Disclosure Agreement (as defined below) or any proceedings of the Corporation taken with respect to the issuance or sale of the 2003 Bonds, or the pledge, collection or application of any monies or security provided for the payment of the Bonds (including the 2003 Bonds), or the financing of the 2003 Series B Mortgage Loans, the 2003 Series C Mortgage Loan or the 2003 Series D Mortgage Loans, or the existence, powers or operations of the Corporation, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, if any.

For information with respect to an ongoing investigation being conducted relating to the Corporation, see "THE CORPORATION—Investigation."

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2003 Bonds by the Corporation are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its Deputy General Counsel. Certain legal matters will be passed upon for the Underwriter and the Placement Agent by their Counsel, Swidler Berlin Shereff Friedman, LLP, New York, New York. Swidler Berlin Shereff Friedman, LLP also represents the Mortgagors of certain Developments under the Program, none of which has an outstanding Mortgage Loan balance exceeding 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the Program. Certain legal matters related to the 2003 Series D Bonds will be passed upon for The City of New York by its Corporation Counsel. Certain legal matters related to the 2003 Facilitation Trust will be passed upon by its counsel, Morris, James, Hitchens & Williams LLP, Wilmington, Delaware, and Kirkpatrick & Lockhart LLP, New York, New York.

LEGALITY OF 2003 BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 2003 Bonds are securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan

associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. The 2003 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

FINANCIAL STATEMENTS

The financial statements of the Corporation as of October 31, 2002 and for the year ended October 31, 2002, which are included as Appendix B to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing therein. Such financial statements are included herein for information purposes only, and the information contained in these financial statements should not be used in any way to modify the description of the security for the Bonds contained herein. The assets of the Corporation, other than those pledged pursuant to the General Resolution including certain instruments of the Corporation with respect to the Debt Service Reserve Account, are not pledged to nor are they available to Bond owners.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the Corporation and the Trustee will enter into a written agreement for the benefit of the holders of the 2003 Bonds (the “Disclosure Agreement”) to provide continuing disclosure. The Corporation will undertake to provide to each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission (the “Repository”), and if and when one is established, a state information depository for the State of New York (the “State Information Depository”), on an annual basis on or before 150 days after the end of each fiscal year of the Corporation commencing with the fiscal year ending October 31, 2003, certain financial and operating data, referred to herein as “Corporation Annual Information,” including, but not limited to annual financial statements of the Corporation. In addition, the Corporation will undertake in the Disclosure Agreement, for the benefit of the holders of the 2003 Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board (“MSRB”), and to the State Information Depository, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below.

The Corporation Annual Information shall consist of the following: (a) annual financial statements of the Corporation prepared in conformity with accounting principles generally accepted in the United States and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States; provided, however, that if financial statements are not available in accordance with the dates described above, unaudited financial statements shall be provided and such audited financial statements shall be delivered to the Repository and to the State Information Depository when they become available; (b) a statement setting forth the amount on deposit in the Debt Service Reserve Account; (c) a statement setting forth the valuations of the Mortgage Loans with respect to each Series of Bonds; and (d) financial and operating data of the type set forth herein under the headings or subheadings “THE PROGRAM—General” (charts only), “THE PROGRAM—Bonds Outstanding Under the Program,” “THE PROGRAM—Summary of Program Assets and

Revenues,” “SECURITY FOR THE BONDS—Cross-Call Provisions and Related Information,” “SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates” (chart only), “SECURITY FOR THE BONDS—Certain Investments” (second paragraph and charts only), “Appendix C—Other Activities of the Corporation,” “Appendix D—Developments and Mortgage Loans Expected to be Financed in Connection with the Issuance of the 2003 Bonds,” “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program,” “Appendix E-2—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2000 Series B Bonds and the 2002 Series C Bonds,” “Appendix E-3—Mortgage Loan Prepayment Provisions” (chart only) and “Appendix E-4—Permanent Mortgage Loan Physical Inspection Ratings” (chart only); together with (e) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Corporation and in judging the financial information about the Corporation.

Pursuant to the Disclosure Agreement, the Corporation will further undertake to use its best efforts to provide to each Repository and the State Information Depository, on an annual basis on or before 150 days after the end of each fiscal year of any Mortgagor whose payment obligations under its Mortgage Note equals or exceeds twenty percent (20%) of the aggregate payment obligations due under all outstanding Mortgage Notes, certain financial and operating data, referred to herein as “Mortgagor Annual Information,” including, but not limited to annual financial statements of such Mortgagor, prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards if so required by the applicable Mortgage; provided, however, that if audited financial statements are required but not available in accordance with the dates described above, unaudited financial statements shall be provided and such audited financial statements shall be delivered to the Repository and to the State Information Depository when they become available. Currently, there are no Mortgagors whose payment obligations equal or exceed the twenty percent (20%) threshold.

The notices required to be provided by Rule 15c2-12, which the Corporation will undertake to provide as described above, include notices of any of the following events with respect to the 2003 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 2003 Bonds; (7) modification to the rights of holders of 2003 Bonds; (8) 2003 Bond calls, other than mandatory sinking fund redemptions; (9) defeasances of all or a portion of the 2003 Bonds; (10) the release, substitution or sale of property securing repayment of the 2003 Bonds and (11) rating changes; and to each Repository or to the MSRB and to the State Information Depository, in a timely manner, notice of a failure by the Corporation to provide the Corporation Annual Information or the Mortgagor Annual Information required by the Disclosure Agreement.

If any party to the Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of the 2003 Bonds may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach or default under the Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the undertakings contained therein, and no person or entity may recover monetary damages thereunder under any circumstances; provided, however,

that the rights of any holder of 2003 Bonds to challenge the adequacy of the information provided by the Corporation are conditioned upon the provisions of the General Resolution with respect to the enforcement of remedies of holders of the 2003 Bonds upon the occurrence of an Event of Default described in the General Resolution. A breach or default under the Disclosure Agreement shall not constitute an Event of Default under the General Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Disclosure Agreement, insofar as the provisions of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. Beneficial Owners of the 2003 Bonds are third-party beneficiaries of the Disclosure Agreement and, as such, are deemed to be holders of the 2003 Bonds of the purposes of exercising remedies.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data. Where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Disclosure Agreement, however, may be amended or modified without the consent of the holders of the 2003 Bonds under certain circumstances set forth in the Disclosure Agreement.

Copies of the Disclosure Agreement, when executed and delivered by the parties thereto on the date of the initial delivery of the 2003 Bonds, will be on file at the office of the Corporation.

With regard to certain Series of Bonds issued under the General Resolution to which Rule 15c2-12 applies, the Corporation has entered into agreements substantially identical to the Disclosure Agreement and has complied with the provisions of such agreements.

From time to time the Corporation has entered into other agreements to provide continuing disclosure (each, a "CDA") with regard to bonds that were not issued under the General Resolution. The Corporation has fully complied with such CDAs to date except with respect to one financing. In that instance, the underlying obligor failed to provide certain of the information required by the CDA to the Corporation and the Corporation did not provide notice of such failure as required by the CDA. Subsequently, the Corporation (i) provided notice of the failure of such underlying obligor to provide such information as required by the CDA and (ii) provided such information as required by the CDA promptly upon receipt by the Corporation.

FURTHER INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the 2003 Bonds that there has been no change in the affairs of the Corporation from the date hereof. Pursuant to the General Resolution, the Corporation has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the General Resolution and to cause such books to be audited for each fiscal year. The General Resolution requires that such books be open to inspection by the Trustee and the owners of not less than 5% of the 2003 Bonds issued thereunder during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 2003 Bond.

Additional information, including the annual report of the Corporation, may be obtained from the undersigned at 110 William Street, New York, New York 10038, (212) 227-5500 or through its internet address: www.nychdc.org.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinions, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Corporation and the purchasers or owners of any 2003 Bonds.

This Official Statement is submitted in connection with the sale of the 2003 Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement and the distribution thereof has been duly authorized and approved by the Corporation and duly executed and delivered on behalf of the Corporation.

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

By: /s/ William W. Traylor
 William W. Traylor
 Acting President

Dated: June 26, 2003

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DEFINITIONS OF CERTAIN TERMS

In some instances, the General Resolution permits the modification of certain of its provisions by a Supplemental Resolution relating to a specific Series of Bonds. Certain of such permitted modifications, which have been made with respect to the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds, and the 2003 Series D Bonds by the provisions of the 2003 Series B-1 Supplemental Resolution, the 2003 Series B-2 Supplemental Resolution, the 2003 Series C Supplemental Resolution and the 2003 Series D Supplemental Resolution are reflected in the defined terms set forth below. Prior to the issuance of the 2003 Series B-1 Bonds, the 2002 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, other Supplemental Resolutions authorizing other Series of Bonds have also modified certain provisions of the General Resolution with respect to the Series of Bonds authorized thereunder and such modifications are not reflected in the defined terms set forth below. Certain modifications to the General Resolution, which have been made with respect to the 2002 Series D Bonds by the provisions of the Twenty-Seventh Supplemental Resolution, are also reflected in the defined terms set forth below. These have been included because the outstanding principal balance of certain of the Mortgage Loans financed with the proceeds of the 2002 Series D Bonds, which Mortgage Loans are not secured by supplemental security and, in some cases, are not subsidized under any subsidy program, exceeds 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the General Resolution. This Appendix A does not purport to be comprehensive or definitive and is qualified by reference to the Resolutions and the Supplemental Resolutions relating to the Bonds issued prior to the issuance of the 2003 Series B-1 Bonds, the 2003 Series B-2 Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds, copies of which may be obtained from the Corporation. The following terms shall have the following meanings unless the context shall clearly indicate otherwise:

“Account” means one of the special accounts (other than the Rebate Fund) created and established pursuant to the General Resolution or a Supplemental Resolution.

“Acquired Project” means a Project financed by a 2002 Series D Purchased Mortgage Loan, a 2003 Series B Mortgage Loan or a 2003 Series D Purchased Mortgage Loan, title to or the right to possession of which has been acquired by or on behalf of the Corporation or, in the case of a Project financed by a 2002 Series D Purchased Mortgage Loan or a 2003 Series D Mortgage Loan, another entity through protection and enforcement of rights conferred by law or the Mortgage upon such Project.

“Acquired Project Expenses” means all costs and expenses arising from the acquisition, ownership, possession, operation or maintenance of an Acquired Project, including reasonable operating, repair and replacement reserves therefor.

“Acquired Project Gross Operating Income” means all monies received in connection with the acquisition, ownership, possession, operation or maintenance of an Acquired Project.

“Acquired Project Net Operating Income” means Acquired Project Gross Operating Income less Acquired Project Expenses.

“Authorized Officer” means the Chairperson, Vice-Chairperson, President, First Senior Vice President or any other Senior Vice President of the Corporation and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Corporation then authorized to perform such act or discharge such duty.

“Bond” means one of the bonds to be authenticated and delivered pursuant to the General Resolution.

“Bond Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation and satisfactory to the Trustee.

“Bond owner” or “owner” or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond.

“Bond Proceeds Account” means the Bond Proceeds Account established pursuant to the General Resolution.

“Bond Year” means a twelve month period ending on the first day of November of any year.

“Cap” means any financial arrangement entered into by the Corporation with an entity which is a cap, floor or collar, or any similar transaction or combination thereof or any option with respect thereto executed by the Corporation for the purpose of limiting its exposure with respect to interest rate fluctuations which has been designated in writing to the Trustee by an Authorized Officer of the Corporation as a Cap with respect to the 2002 Series C Bonds, the 2002 Series D Bonds and/or the 2003 Series D Bonds. “Cap” shall also include any such financial arrangement described above entered into by the Corporation with an entity, as a replacement of a Cap that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer of the Corporation with respect to the 2002 Series C Bonds, the 2002 Series D Bonds and/or the 2003 Series D Bonds.

“Cap Receipts” means any amount actually received by the Corporation or the Trustee under a Cap.

“Cash Equivalent” means a Letter of Credit, Insurance Policy, Surety, Guaranty or other Security Arrangement (each as defined and provided for in a Supplemental Resolution providing for the issuance of Bonds rated by the Rating Agencies or in another Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from the Rating Agencies at least equal to the then existing rating on the Bonds (other than Subordinate Bonds) or whose unsecured long-term debt securities are rated at least the then existing rating on the Bonds (other than Subordinate Bonds) (or “A-1+” or “P-1,” as applicable, if the Cash Equivalent has a remaining term at the time of acquisition not exceeding one year) by the Rating Agencies; provided, however, that a Cash Equivalent may be provided by an institution which has received a rating of its claims paying ability which is lower than that set forth above or whose unsecured long-term (or short-term) debt securities are rated lower than that set forth above, so long as the providing of such Cash Equivalent does not, as of the date it is provided, in and of itself, result in the reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies.

“Cash Flow Certificate” means a Cash Flow Certificate conforming to the requirements of the General Resolution.

“Cash Flow Statement” means a Cash Flow Statement conforming to the requirements of the General Resolution.

“City” means The City of New York, a municipal corporation organized and existing under and pursuant to the laws of the State.

“Code” means the Internal Revenue Code of 1954 or 1986, each as amended from time to time, and as applicable to the Bonds pursuant to Section 1313 of the Tax Reform Act of 1986, as amended.

“Corporation” means the New York City Housing Development Corporation, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Corporation.

“Corporation Corporate Purposes” means any purpose for which the Corporation may issue bonds pursuant to the Act or other applicable law.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

“Credit Facility” means (i) an unconditional and irrevocable letter of credit in form and drawn on a bank or banks acceptable to the Corporation (which bank or banks must be rated by each of the Rating Agencies in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) (or “A-1+” or “P-1,” as applicable, if the Credit Facility has a remaining term at the time it is provided not exceeding one year); provided, however, that such letter of credit may be provided by a bank or banks whose rating is lower than that set forth above, so long as the providing of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Investment Securities, or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which is approved by each of the Rating Agencies.

“Credit Facility Provider” means the issuer of or obligor under a Credit Facility.

“Debt Service” means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installments of such Bonds during such Bond Year.

“Debt Service Reserve Account” means the Debt Service Reserve Account established pursuant to the General Resolution.

“Debt Service Reserve Account Requirement” means as of any date of calculation, the aggregate of the amounts specified as the Debt Service Reserve Account Requirement for each Series of Bonds in the Supplemental Resolution authorizing the issuance of a Series of Bonds; provided, however, that a Supplemental Resolution may provide that the Debt Service Reserve Account Requirement for the Series of Bonds authorized thereunder may be funded, in whole or in part, through Cash Equivalents and such method of funding shall be deemed to satisfy all provisions of the General Resolution with respect to the Debt Service Reserve Account Requirement and the amounts required to be on deposit in the Debt Service Reserve Account.

“Escrow Payments” means and includes all amounts whether paid directly to the Corporation or to the servicer of any Mortgage Loan representing payments to obtain or maintain mortgage insurance or

any subsidy with respect to a Mortgage Loan or the mortgaged premises or payments in connection with real estate taxes, assessments, water charges, sewer rents, ground rents, fire or other insurance, replacement or operating reserves or other like payments in connection therewith.

“Event of Default” means any of the events specified in the General Resolution as an Event of Default.

“Federal Housing Commissioner” means the Secretary of the United States Department of Housing and Urban Development (or successor thereof) or the Federal Housing Commissioner of the Federal Housing Administration (or successor thereof) or a duly authorized agent thereof.

“FHA Insurance” means the federal mortgage insurance authorized pursuant to Section 220, 221(d)(3), 221(d)(4) or 223(f) of the National Housing Act of 1934, as amended.

“General Resolution” means the Multi-Family Housing Revenue Bonds Bond Resolution adopted by the Corporation on July 27, 1993, and any amendments thereof or supplements thereto made in accordance with its terms.

“GNMA” means the Government National Mortgage Association.

“GNMA Security” means a mortgage-backed security guaranteed by GNMA as to payments of principal and interest.

“Government Obligations” means (i) direct obligations of or obligations guaranteed by the United States of America, including, but not limited to, United States Treasury Obligations, Separate Trading of Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book-Entry Safekeeping (CUBES), provided the underlying United States Treasury Obligation is not callable prior to maturity, and (ii) obligations of the Resolution Funding Corporation, including, but not limited to, obligations of the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

“HUD” means the United States Department of Housing and Urban Development, or any successor thereof.

“Interest Payment Date” means any date upon which interest on the Bonds is due and payable in accordance with their terms.

“Investment Securities” means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the Corporation under the Act, including the amendments thereto hereafter made, or under other applicable law:

- (1) Government Obligations;
- (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Farm Credit System Banks, Federal Home Loan Banks, Tennessee Valley Authority and Export-Import Bank of the United States;
- (3) any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are

guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(4) any other obligation of the United States of America or any federal agencies guaranteed by the full faith and credit of the United States of America which may then be purchased with funds belonging to the Corporation;

(5) deposits in interest-bearing time or demand deposits, or certificates of deposit, secured by any of the obligations described above or fully insured by the Federal Deposit Insurance Corporation or its successor;

(6) any participation certificate of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and any mortgage-backed securities of the Federal National Mortgage Association; and

(7) any other investment permitted under the Corporation's investment guidelines adopted August 14, 1984, as amended from time to time.

"Mortgage" means a mortgage or other instrument securing a Mortgage Loan.

"Mortgage Banker" means the mortgagee of record of a mortgage loan that backs a GNMA Security.

"Mortgage Loan" means a loan, evidenced by a note, for a Project, secured by a Mortgage and specified in a Supplemental Resolution as being subject to the lien of the General Resolution; provided, that Mortgage Loan shall also mean a participation by the Corporation with another party or parties, public or private, in a loan made to a Mortgagor with respect to a Project; provided, further, that Mortgage Loan shall also mean an instrument evidencing an ownership in such loans, including, but not limited to, a mortgage backed security guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

"Mortgage Note" means the note evidencing a Mortgage Loan.

"Mortgagor" means a mortgagor with respect to any Mortgage Loan.

"Outstanding," when used with reference to Bonds, means, as of any date, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, all Bonds theretofore or thereupon being authenticated and delivered under the General Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in a Redemption Account under the General Resolution either:

(a) monies in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in

irrevocable instructions to the Trustee to apply such monies to such payment or redemption on the date so specified; or

(b) Government Obligations, as described in the Section of the General Resolution entitled “Defeasance,” in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide monies in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such monies to such payment or redemption on the date so specified; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the General Resolution; and

(4) any Bond deemed to have been paid as provided in the General Resolution.

“Permitted Encumbrances” means such liens, encumbrances, reservations, easements, rights of way and other clouds on title as do not impair the use or value of the premises or such other liens, encumbrances, reservations, easements, rights of way and other clouds on title as are specified in a Supplemental Resolution with respect to a Mortgage Loan.

“Pledged Receipts” means, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, (i) the scheduled or other payments required by any Mortgage Loan and paid to or to be paid to the Corporation from any source, including, but not limited to, interest, rent or other subsidy payments, and including both timely and delinquent payments,* (ii) accrued interest received at the sale of Bonds and (iii) all income earned or gain realized in excess of losses

* The Twenty-Seventh Supplemental Resolution, with respect to the underlying 2002 Series D Purchased Mortgage Loans, the 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, the 2003 Series C Supplemental Resolution, with respect to the 2003 Series C Mortgage Loan, and the 2003 Series D Supplemental Resolution, with respect to the underlying 2003 Series D Purchased Mortgage Loans, each provides that any prepayment premium or penalty shall not constitute a Pledged Receipt. The 2002 Series D Supplemental Resolution provides that all amounts received with respect to the underlying 2002 Series D Trust Mortgage Loans and the 2003 Series D Supplemental Resolution provides that all amounts received with respect to the underlying 2003 Series D Trust Mortgage Loans shall constitute Pledged Receipts. The Twenty-Seventh Supplemental Resolution, the 2003 Series B-1 Supplemental Resolution, the 2003 Series B-2 Supplemental Resolution and the 2003 Series D Supplemental Resolution each provides that, with respect to any Acquired Project, Acquired Project Net Operating Income shall constitute a Pledged Receipt. The 2002 Series D Supplemental Resolution, with respect to the underlying 2002 Series D Mortgage Loans subsidized through Section 8, provides that, with respect to Section 8 housing assistance payments, only those payments duly and properly paid and actually received by the holder of the underlying 2002 Series D Mortgage Loans and thereafter passed through to the holder of the Participation Interest shall constitute Pledged Receipts. The 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, provides that the payment of a 2003 Series B Mortgage Loan Mandatory Prepayment on or after March 1, 2007 shall constitute a Pledged Receipt. The 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, each provides that amounts obtained under a letter of credit or other credit enhancement securing a 2003 Series B Mortgage Loan, or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement in the event of a default on such 2003 Series B Mortgage Loan with respect to scheduled principal and/or interest payments required by such 2003 Series B Mortgage Loan, including a 2003 Series B Mortgage Loan Mandatory Prepayment, shall constitute Pledged Receipts. The Twenty-Seventh Supplemental Resolution, with respect to the 2002 Series D Bonds, and the 2003 Series D Supplemental Resolution, with respect to the 2003 Series D Bonds, each provides that any Cap Receipts paid to the Corporation or the Trustee under a Cap shall constitute a Pledged Receipt.

suffered on any investment or deposit of monies in the Accounts established and maintained pursuant to the General Resolution or a Supplemental Resolution, or monies provided by the Corporation and held in trust for the benefit of the Bond owners pursuant to the General Resolution, but shall not mean or include amounts required to be deposited into the Rebate Fund, Recoveries of Principal, any payments with respect to any Mortgage Loan received prior to the date that Revenues therefrom are pledged under the General Resolution, Escrow Payments, late charges, administrative fees, if any, of the Corporation or any amount retained by the servicer (which may include the Corporation) of any Mortgage Loan, as financing, servicing, extension or settlement fees.

“Principal Installment” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the General Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in the General Resolution, of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

“Project” means any multi-family housing development or other facility financeable by the Corporation under the Act or other applicable law and approved by the Corporation.

“Rating Agencies” means, collectively, (i) Standard & Poor’s Corporation or any successor thereto (“S&P”) when the Bonds are rated by S&P and (ii) Moody’s Investors Service Inc. or any successor thereto (“Moody’s”) when the Bonds are rated by Moody’s or, if neither S&P nor Moody’s is maintaining a rating on the Bonds, then any other nationally recognized rating agency when the Bonds are rated by such agency, pursuant to a request for a rating by the Corporation.

“Rebate Amount” means, with respect to a particular Series of Bonds, the amount, if any, required to be deposited in the Rebate Fund in order to comply with the covenants contained in the General Resolution.

“Rebate Fund” means the Rebate Fund established pursuant to the General Resolution.

“Recoveries of Principal” means, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, all amounts received by the Corporation as a recovery of the principal amount disbursed by the Corporation in connection with any Mortgage Loan, including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Mortgage Loan, at the option of the Mortgagor,* (ii) the sale, assignment, endorsement or other disposition thereof, (iii) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (iv) proceeds of any insurance award resulting from the damage or destruction of a Project which are required to be applied to payment of a Mortgage Note pursuant to a Mortgage, (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Project or any portion thereof, which proceeds are required to

* The 2003 Series B-1 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, provides that a payment of a 2003 Series B Mortgage Loan Mandatory Prepayment made prior to March 1, 2007 shall constitute a Recovery of Principal.

be applied to payment of a Mortgage Note pursuant to a Mortgage or (vi) proceeds of any mortgage insurance or credit enhancement with respect to a Mortgage Loan which is in default.**

“Redemption Account” means the Redemption Account established pursuant to the General Resolution.

“Redemption Date” means the date or dates upon which Bonds are to be called for redemption pursuant to the General Resolution.

“Redemption Price” means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Revenue Account” means the Revenue Account established pursuant to the General Resolution.

“Revenues” means the Pledged Receipts and Recoveries of Principal.

“Series” means any Series of Bonds issued pursuant to the General Resolution.

“Sinking Fund Payment” means, with respect to a particular Series, as of any particular date of calculation, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Corporation by reason of the maturity of a Bond or by call for redemption at the election of the Corporation.

** The Twenty-Seventh Supplemental Resolution, with respect to the underlying 2002 Series D Purchased Mortgage Loans, the 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, the 2003 Series C Supplemental Resolution, with respect to the 2003 Series C Mortgage Loan, and the 2003 Series D Supplemental Resolution, with respect to the underlying 2003 Series D Purchased Mortgage Loans, each provides that any prepayment premium or penalty shall not constitute a Recovery of Principal. The Twenty-Seventh Supplemental Resolution, the 2003 Series B-1 Supplemental Resolution, the 2003 Series B-2 Supplemental Resolution and the 2003 Series D Supplemental Resolution each provides that, with respect to any Acquired Project, the proceeds of sale of any Acquired Project shall constitute a Recovery of Principal. The Twenty-Seventh Supplemental Resolution, with respect to the underlying 2002 Series D Purchased Mortgage Loans, provides that any amounts required to be passed through the 2002 Series D Purchased Mortgage Loans as a result of (i) the advance payment of principal amounts to become due with respect to any underlying 2002 Series D Purchased Mortgage Loan insured by FHA, at the option or direction of FHA, (ii) proceeds from the acceleration of payments due under any underlying 2002 Series D Purchased Mortgage Loan or other remedial proceedings taken in the event of a default thereon, including proceeds of the sale of any Acquired Project, (iii) proceeds of insurance awards resulting from damage or destruction of a Development financed by any underlying 2002 Series D Purchased Mortgage Loan, which proceeds are applied to payment of the applicable underlying mortgage note, whether or not required to be so applied pursuant to the applicable underlying mortgage, (iv) proceeds of a condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Development financed by any underlying 2002 Series D Purchased Mortgage Loan or any portion thereof, which proceeds are applied to payment of the applicable underlying mortgage note, whether or not required to be so applied pursuant to the applicable underlying mortgage and (v) proceeds of the sale, assignment, endorsement or other disposition of any underlying 2002 Series D Purchased Mortgage Loan including proceeds of FHA Insurance, if any, with respect to any underlying 2002 Series D Purchased Mortgage Loan insured by FHA, shall constitute Recoveries of Principal. The 2003 Series B-1 Supplemental Resolution and the 2003 Series B-2 Supplemental Resolution, with respect to the 2003 Series B Mortgage Loans, each provides that amounts obtained under a letter of credit or other credit enhancement securing a 2003 Series B Mortgage Loan, or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement in the event of a default on such 2003 Series B Mortgage Loan, other than with respect to scheduled principal and/or interest payments required by such 2003 Series B Mortgage Loan, shall constitute Recoveries of Principal.

“SONYMA” means the State of New York Mortgage Agency, a corporate governmental agency of the State of New York constituting a political subdivision and public benefit corporation established under the SONYMA Act.

“SONYMA Act” means the State of New York Mortgage Agency Act, constituting Chapter 612 of the Laws of New York, 1970, as amended.

“SONYMA Insurance” means the mortgage insurance for multi-family rental housing developments authorized pursuant to the SONYMA Act.

“State” means the State of New York.

“Subordinate Bonds” means any Bonds which, pursuant to the Supplemental Resolution authorizing such Bonds, are secured by a subordinate charge and lien on the Revenues and assets pledged under the General Resolution.

“Supplemental Resolution” means any resolution supplemental to or amendatory of the General Resolution, adopted by the Corporation and effective in accordance with the General Resolution.

“Trustee” means the trustee designated as Trustee in the General Resolution and its successor or successors and any other person at any time substituted in its place pursuant to the General Resolution.

“2002 Facilitation Trust” means the New York City Mortgage Sale Facilitation Trust 2002-2.

“2003 Facilitation Trust” means the New York City Mortgage Sale Facilitation Trust 2003-1.

“2002 Participation Agreement” means the Participation Agreement by and between the Corporation and the 2002 Facilitation Trust, dated the date of issuance of the 2002 Series D Bonds, as amended and restated on the date of issuance of the 2003 Series D Bonds.

“2003 Participation Agreement” means the Participation Agreement by and between the Corporation and the 2003 Facilitation Trust, dated the date of issuance of the 2003 Series D Bonds.

“2002 Participation Interest” means the Participant Interest in the Participated Assets (net of certain amounts payable to the Corporation and certain voting rights that the Corporation may, in the future, obtain with respect to the Class B-1 Sheridan Trust II Certificate in connection with the issuance of the 2002 Series D Bonds) (all as defined in the 2002 Participation Agreement).

“2003 Participation Interest” means the Participant Interest in the Participated Assets (net of certain amounts payable to the Corporation), which does not include certain voting rights that the Corporation may, in the future, obtain with respect to the Class B-1 Sheridan Trust II Certificate in connection with the issuance of the 2002 Series D Bonds) (all as defined in the 2003 Participation Agreement).

“2002 Series D Mortgage Loans” means the 2002 Series D Purchased Mortgage Loans and the 2002 Series D Trust Mortgage Loans.

“2002 Series D Purchased Mortgage Loans” means the 100% participation interest of the Corporation in approximately 380 permanent mortgage loans for multi-family housing developments.

“2002 Series D Trust Mortgage Loans” means the 100% participation interest of the Corporation in a portion of the cash flow derived from the Class-B-1 Sheridan Trust II, Multifamily Mortgage Pass-through Certificate, Series 1996-M1 evidencing a beneficial ownership interest in the Class B Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995-M1 which, in turn, has a beneficial ownership interest primarily in a pool of certain permanent mortgage loans for multi-family housing developments, of which approximately 90 permanent mortgage loans relate to the 2002 Series D Bonds and the participation interest purchased by the Corporation.

“2003 Series D Mortgage Loans” means the 2003 Series D Purchased Mortgage Loans and the 2003 Series D Trust Mortgage Loans.

“2003 Series D Purchased Mortgage Loans” means the 100% participation interest of the Corporation in approximately 314 permanent mortgage loans for multi-family housing developments.

“2003 Series D Trust Mortgage Loans” means the 100% participation interest of the Corporation in a portion of the cash flow derived from the Class B-1 Sheridan Trust II, Multifamily Mortgage Pass-through Certificate, Series 1996-M1 evidencing a beneficial ownership interest in the Class B Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995-M1 which, in turn, represents a beneficial ownership interest primarily in a pool of certain permanent mortgage loans for multi-family housing developments, of which the cash flow from approximately 16 permanent mortgage loans relate to the 2003 Series D Bonds and constitute the portion of the cash flow in which the participation interest is purchased by the Corporation.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CORPORATION
FOR FISCAL YEAR ENDED OCTOBER 31, 2002
INCLUDING AS SCHEDULE 1 SUPPLEMENTAL INFORMATION
RELATED TO THE HOUSING REVENUE BOND PROGRAM**

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NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Management's Discussion and Analysis
Year Ended October 31, 2002

This section of the New York City Housing Development Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year that ended on October 31, 2002. Please read this section in conjunction with the financial statements and accompanying notes. Amounts and percentage changes refer to the total columns which includes financial data for the Corporation's component units.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$45.4 million (or 6.8%)
- Cash and investments increased \$83.9 million (or 8.2%)
- Bonds and other liabilities increased \$587.5 million (or 18.2%)
- Operating revenues decreased \$12.7 million (or 7.6%)
- Operating expenses decreased \$18.2 million (or 12.0%)
- Operating income increased by \$5.5 million (or 35.4%)
- Nonoperating revenues decreased by \$18.9 million (or 43.7%)
- Investment revenues decreased by \$18.8 million (or 42.2%)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: *management's discussion and analysis* (this section) and the *basic financial statements*. The Corporation is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the Corporation's activities. The Corporation operates in a manner similar to a private business that includes activities such as financing of real estate development, investment banking, commercial lending, and consulting. While detailed sub-fund information is not presented in the Corporation's financial statements, separate accounts are maintained for each program in order to control and manage money for particular purposes or to demonstrate that the Corporation is properly using specific resources.

FINANCIAL ANALYSIS OF THE CORPORATION

Net Assets. The following table summarizes the changes in Net Assets between October 31, 2002 and 2001:

	\$ in millions		
	2002	2001	% increase/(decrease)
Current Assets	\$308.3	\$248.6	24.0%
Noncurrent Assets	4,226.8	3,653.6	15.7%
Total Assets	4,535.1	3,902.2	16.2%
Long Term Debt	3,109.3	2,648.2	17.4%
Other Liabilities	712.8	586.4	21.6%
Total Liabilities	3,822.1	3,234.6	18.2%
Net Assets:			
Restricted	331.3	314.6	5.3%
Unrestricted	381.7	353.0	8.1%
Total Net Assets	713.0	\$667.6	6.8%

The Corporation's combined net assets increased \$45.4 million (6.8%) as a result of the increase generated from earnings. The Corporation did not receive any contributions to net assets during the fiscal year. As always, HDC continues to remain self-sustaining.

Operating Activities. The Corporation charges various program fees that may include an application fee, commitment fee, financing fee, and mortgage insurance fee. The Corporation also charges servicing fees on certain of its mortgage loans and for loans serviced for the City of New York. Mortgage loan earnings represent the Corporation's major source of operating revenue. Grant revenue is earned when the Corporation has complied with the terms and conditions of the grant agreements.

Interest income accrues to the benefit of the program for which the underlying source of funds are utilized. Although investment earnings are presented as nonoperating revenues, approximately \$17.4 million of the total \$25.7 million investment earnings have been included in resources that are set aside for the payment of bond debt service. The remaining \$8.3 million in investment income is available to cover Corporate operating or other expenses.

The following table summarizes the changes in Operating Income between fiscal year 2002 and 2001:

	\$ in thousands		
	2002	2001	% increase/(decrease)
Operating Revenue:			
Interest on Loans	\$123,412	\$141,641	(12.9%)
Fees and Charges	17,029	11,702	45.5%
Other	14,280	14,083	1.4%
Total Operating Revenue	154,721	167,426	(7.6%)
Operating Expenses:			
Interest and Amortization	115,931	134,800	(14.0%)
Salaries and Related	10,301	9,259	11.3%
Corporate	3,631	4,673	(22.3%)
Other	3,776	3,127	20.8%
Total Operating Expenses	133,639	151,859	(12.0%)
Operating Income	21,082	15,567	35.4%
Nonoperating Revenues (Expenses)			
Earnings on Investments	25,745	44,579	(42.2%)
Other	(1,417)	(1,399)	1.3%
Total Nonoperating Revenue	24,328	43,180	(43.7%)
Distributions	-	-	-
Change in Net Assets	\$45,410	\$58,747	(22.7%)

Other Financial Information

Many of the Corporation's mortgages are subject to credit enhancement and as such the Corporation has not suffered material credit losses. It does not appear probable that substantial write downs of the mortgage portfolio will be required in the foreseeable future. The financial strength of each development funded by the Corporation is periodically reviewed to anticipate the likelihood of any future losses. Although loss provisions have not been required in the past, the Corporation will record such provisions when deemed necessary.

DEBT ADMINISTRATION

At year-end the Corporation and its subsidiaries had \$3,214 million of bond principal outstanding an increase of 15.9% over last year as shown below. More detailed information about the Corporation's outstanding debt obligations is presented in Note 7 to the financial statements.

The following table summarizes the changes in capital debt between fiscal year 2002 and 2001:
\$ in thousands

	2002	2001	% increase/(decrease)
Bonds Payable	\$3,214,235	\$2,773,643	15.9%

NEW BUSINESS

During fiscal year 2002 the Corporation issued 6 series of Housing Revenue Bond program bonds amounting to \$406.5 million, 9 series of 80/20 program bonds amounting to \$434.5 million, and 3 series of 100% Low Income Tax-Exempt Bond program bonds for \$20.4 million. These funds are being used to provide mortgage financing. Under various programs the Corporation has also made funds available from net assets. Subsequent to fiscal year end 6 series of bonds were issued in the amount of \$136.9 million. The details of these financings are described in the notes to the financial statements.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, clients, and investors and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the resources at its disposal. If you have questions about this report or need additional financial information, contact the Public Information Officer, New York City Housing Development Corporation, 110 William Street, New York, NY 10038.

Report of Independent Auditors

To the Members of the
New York City Housing Development Corporation

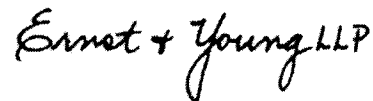
We have audited the accompanying combined balance sheet of the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of October 31, 2002, and the related combined statements of revenues, expenses and changes in fund net assets, and cash flows for the year then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2001 financial statements and, in our report dated January 18, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information included in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



January 2, 2003

Combined Balance Sheet

At October 31, 2002 (with comparative summarized financial information as of October 31, 2001) (in thousands)

	Discretely Presented Component Units				Total	
	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	2002	2001

Assets

Current Assets:

Cash	\$ 1,673	-	1	-	1,674	1,342
Investments (note 4)	231,166	-	2,510	-	233,676	186,131
Receivables:						
Mortgage loans (note 5)	60,768	-	-	-	60,768	50,275
Accrued interest	11,592	12	-	-	11,604	10,565
Other (note 6)	493	-	-	-	493	197
Total Receivables	72,853	12	-	-	72,865	61,037
Other assets	73	-	-	-	73	77
Total Current Assets	305,765	12	2,511	-	308,288	248,587

Noncurrent Assets:

Restricted cash	9,420	2	2	4	9,428	10,691
Restricted investments (note 4)	750,020	29,089	49,777	37,238	866,124	828,799
Restricted receivables:						
Mortgage loan receivable (note 5)	3,019,370	44,165	-	-	3,063,535	2,555,522
Accrued interest	-	2,304	-	-	2,304	2,277
Total restricted receivables	3,019,370	46,469	-	-	3,065,839	2,557,799
Mortgage loans receivable:						
Sale of mortgages	756	-	-	-	756	1,356
Other receivables (note 6)	8,232	-	205,853	-	214,085	209,158
Total Receivables	3,028,358	46,469	205,853	-	3,280,680	2,768,313
Unamortized issuance costs	19,827	-	1,570	-	21,397	16,835
Primary government/component unit receivable (payable)	(3,736)	3,951	(6)	(209)	-	-
Fixed assets	4,999	-	-	2	5,001	5,932
Other assets	44,123	-	-	9	44,132	23,024
Total Noncurrent Assets	3,853,011	79,511	257,196	37,044	4,226,762	3,653,594
Total Assets	\$ 4,158,776	79,523	259,707	37,044	4,535,050	3,902,181

See accompanying notes to the basic financial statements.

Combined Balance Sheet (continued)

At October 31, 2002 (with comparative summarized financial information as of October 31, 2001) (in thousands)

	Discretely Presented Component Units				Total	
	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	2002	2001

Liabilities and Net Assets

Current Liabilities:

Current portion of bonds payable (note 7)	\$ 56,262	-	8,300	-	64,562	81,703
Accrued interest payable	27,432	-	6,710	-	34,142	35,898
Payable to the City of New York (note 9)	830	-	690	-	1,520	743
Payable to mortgagors	66,249	-	8,300	-	74,549	56,853
Restricted earnings on investments	3,317	-	-	-	3,317	3,255
Accounts and other payables	1,387	-	-	86	1,473	1,521
Deferred fee and mortgage income	1,188	-	-	-	1,188	2,274
Due to the United States Government (note 11)	1,479	-	-	-	1,479	2,553
Total Current Liabilities	158,144	-	24,000	86	182,230	184,800

Noncurrent Liabilities:

Bonds payable (note 7)	2,884,642	-	232,417	-	3,117,059	2,656,708
Net premium and (discount) on bonds payable	(712)	-	(7,028)	-	(7,740)	(8,517)
Payable to the City of New York (note 9)	295,342	75,432	-	-	370,774	249,366
Payable to mortgagors	110,136	143	-	-	110,279	108,994
Deferred fee and mortgage income	47,956	1,000	-	-	48,956	42,917
Due to the United States Government (note 11)	470	-	-	-	470	301
Total Noncurrent Liabilities	3,337,834	76,575	225,389	-	3,639,798	3,049,769
Total Liabilities	3,495,978	76,575	249,389	86	3,822,028	3,234,569

Net Assets:

Restricted (note 14)	295,683	2,948	8,522	24,187	331,340	314,569
Unrestricted (note 14)	367,115	-	1,796	12,771	381,682	353,043
Total Net Assets	662,798	2,948	10,318	36,958	713,022	667,612

Commitments and Contingencies (notes 9, 12 and 13)

Total Liabilities and Net Assets	\$ 4,158,776	79,523	259,707	37,044	4,535,050	3,902,181
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See accompanying notes to the basic financial statements.

Combined Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended October 31, 2002 (with comparative summarized financial information for the year ended October 31, 2001) (in thousands)

Discretely Presented Component Units				Total	
Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	2002	2001

Operating Revenues

Interest on loans (note 5)	\$ 123,412	-	-	-	123,412	141,641
Fees and charges (note 11)	16,402	-	-	627	17,029	11,702
Other (note 6)	172	-	14,084	24	14,280	14,083
Total Operating Revenues	139,986	-	14,084	651	154,721	167,426

Operating Expenses

Interest and amortization (note 7)	100,146	-	15,785	-	115,931	134,800
Salaries and related expenses	9,908	-	-	393	10,301	9,259
Services of New York City	238	-	-	-	238	322
Trustees' and other fees	1,645	-	77	15	1,737	1,387
Amortization of debt issuance costs	1,651	-	150	-	1,801	1,418
Corporate operating expenses (note 8)	3,560	-	-	71	3,631	4,673
Total Operating Expenses	117,148	-	16,012	479	133,639	151,859
Operating Income (Loss)	22,838	-	(1,928)	172	21,082	15,567

Nonoperating Revenues

Earnings on investments (note 4)	21,151	20	2,112	2,462	25,745	44,579
Nonoperating expenses (note 9)	(1,417)	-	-	-	(1,417)	(1,399)
Total Nonoperating Revenues (Expenses)	19,734	20	2,112	2,462	24,328	43,180
Income (Loss) before Distributions and Transfers	42,572	20	184	2,634	45,410	58,747
Operating transfers to Corporate Services Fund	150	-	-	(150)	-	-
Change in Net Assets	\$ 42,722	20	184	2,484	45,410	58,747
Total net assets - beginning of year	620,076	2,928	10,134	34,474	667,612	608,865
Total Net Assets - End of Year	\$ 662,798	2,948	10,318	36,958	713,022	667,612

See accompanying notes to the basic financial statements.

Combined Statement of Cash Flows

Year ended October 31, 2002 (with comparative summarized financial information for the year ended October 31, 2001) (in thousands)

	Discretely Presented Component Units				Total	
	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	2002	2001

Cash Flows From Operating Activities

Mortgage loan repayments	\$ 449,304	143	-	-	449,447	272,968
Receipts from fees and charges	7,662	-	-	248	7,910	8,335
Mortgage escrow receipts	56,801	-	-	-	56,801	54,030
Reserve for replacement receipts	20,535	-	-	-	20,535	19,299
Mortgage loan advances	(457,843)	-	-	-	(457,843)	(243,528)
Escrow disbursements	(56,729)	-	-	-	(56,729)	(48,708)
Reserve for replacement disbursements	(19,648)	-	-	-	(19,648)	(19,715)
Payments to employees	(10,216)	-	-	-	(10,216)	(7,978)
Payments to suppliers for corporate operating expenses	(5,084)	-	-	-	(5,084)	(9,019)
Project contributions and funds received from NYC	137,521	-	-	-	137,521	137,721
Advances and other payments for NYC	(379,765)	(2,512)	-	-	(382,277)	(95,286)
Other receipts (payments)	(15,086)	-	19,588	24	4,526	(4,604)
Net Cash Provided by (Used in) Operating Activities	(272,548)	(2,369)	19,588	272	(255,057)	63,515

Cash Flows From Non Capital Financing Activities

Proceeds from sale of bonds	861,392	-	-	-	861,392	232,054
Retirement of bonds	(419,093)	-	-	-	(419,093)	(166,836)
Interest paid	(123,575)	-	(13,421)	-	(136,996)	(130,594)
Net cash transfers between programs	222	(5)	-	(217)	-	-
Net Cash Provided by (Used in) Non Capital Financing Activities	318,946	(5)	(13,421)	(217)	305,303	(65,376)

Cash Flows From Capital and Related Financing Activities

Purchase of fixed assets	(88)	-	-	-	(88)	(986)
Sale of fixed assets	82	-	-	-	82	17
Net Cash (Used in) Capital and Related Financing Activities	(6)	-	-	-	(6)	(969)

Cash Flows From Investing Activities

Sale of investments	18,216,944	86,618	88,022	35,539	18,427,123	17,947,684
Purchase of investments	(18,292,212)	(84,290)	(96,630)	(38,015)	(18,511,147)	(17,981,589)
Interest and dividend collected	27,940	47	2,442	2,424	32,853	38,732
Net Cash Provided by (Used in) Investing Activities	(47,328)	2,375	(6,166)	(52)	(51,171)	4,827

Increase (decrease) in cash	(936)	1	1	3	(931)	1,997
Cash at beginning of year	12,029	1	2	1	12,033	10,036
Cash at End of Year	\$ 11,093	2	3	4	11,102	12,033

See accompanying notes to the basic financial statements.

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Combined Statement of Cash Flows (continued)

Year ended October 31, 2002 (with comparative summarized financial information for the year ended October 31, 2001) (in thousands)

Discretely Presented Component Units					
Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Total	
				2002	2001

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	\$	22,838	-	(1,928)	172	21,082	15,567
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation expenses		935	-	-	3	938	923
Amortization of bond discount and premium		282	-	523	-	805	669
Amortization of deferred bond refunding costs		1,495	-	1,841	-	3,336	3,393
Amortization of bond issuance costs		1,644	-	150	-	1,794	947
Net cash provided by nonoperating activities		171,968	-	13,421	-	185,389	133,289
Changes in Assets & Liabilities:							
(Increase) decrease in mortgage loans		(501,958)	-	-	-	(501,958)	(123,694)
(Increase) decrease in accrued interest receivable		(1,088)	(170)	-	-	(1,258)	2,691
(Increase) decrease in sale of mortgages receivable		600	-	-	-	600	550
(Increase) decrease in other receivable		(2,810)	-	(2,719)	-	(5,529)	(1,961)
(Increase) decrease in bond issuance costs		805	-	-	-	805	-
(Increase) decrease primary government/component unit receivable (payable)		(29,004)	-	-	97	(28,907)	(5,971)
(Increase) decrease in other assets		(21,558)	-	-	-	(21,558)	(219)
(Decrease) increase in payable to the City of New York		77,470	(2,199)	-	-	75,271	27,999
(Decrease) increase in payable to mortgagors		5,558	-	8,300	-	13,858	7,065
(Decrease) increase in accounts and other payables		1,565	-	-	-	1,565	1,513
(Decrease) increase in due to the United States Government		-	-	-	-	-	(1,587)
(Decrease) increase in restricted earnings on investments		(1,160)	-	-	-	(1,160)	(2,251)
(Decrease) increase in deferred fee and mortgage income		1,626	-	-	-	1,626	(908)
(Decrease) increase in accrued interest payable		(1,756)	-	-	-	(1,756)	5,500
Net Cash Provided by (Used in) Operating Activities	\$	(272,548)	(2,369)	19,588	272	(255,057)	63,515

Non Cash Investing Activities:

Increase(decrease) in fair value of investments	\$	(526)	20	155	(1)	(352)	9,303
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See accompanying notes to the basic financial statements.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of the State and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding. The Corporation was created to encourage the investment of private capital through low-interest mortgage loans in order to increase the supply of safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise. To accomplish its objectives, the Corporation is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934, as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the Multi-Family Bond Programs and the Corporate Services Fund (see note 3(A)) are blended as part of HDC, the primary government entity. The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity (see note 3 (B), (C) and (D)) as discretely presented component units of HDC. Also pursuant to GASB Statement No. 14, the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes. Within the City's financial statements, the Corporation is included under the category of Housing and Economic Development Enterprise Funds.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting in that each program's assets, liabilities and net assets are accounted for as separate entities and follow enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, the Corporation follows only the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Other significant accounting policies are:

A. Revenue and Expense Recognition

The Corporation considers earnings on mortgages and loans, fees and charges associated with both financing and servicing mortgages and loans, and other revenues that are received to cover the costs of raising capital as operating revenue. All other revenue is considered nonoperating. Commitment and financing fees are recognized over the life of the related mortgage. All other revenues are recognized when earned.

Operating expenses include bonding costs, expenses for administering the various bond resolutions, personnel expenses, corporate operating expenses, and amortization of capitalized issuance and financing costs. The Corporation considers distributions of first mortgage earnings to New York City for various participations, and amortization for funds paid to purchase future mortgage cash flows on loans that New York City had previously participated, as nonoperating expenses. Expenses are recognized as incurred.

B. Investments

All investments, except for investment agreements, are carried at fair value (see note 4). Investment agreements are non-participating, guaranteed investment contracts, which are carried at cost.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

C. Earnings on Investments

Earnings on investments include interest income and changes in fair value. Investment earnings on monies held for the City, project reserves for replacement and certain other project escrows are not included in the Corporation's revenues, rather, they are reported in the Combined Balance Sheet as payable to the City or payable to mortgagors. Similarly, restricted earnings on investments represent the cumulative amount by which pass-through program revenues exceed expenses. Such amounts represent accumulated excess investment earnings that, under the terms of the bond resolutions and mortgage loan documents, are expected to be credited to the mortgagors.

D. Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs and bond discount are amortized over the life of the related bond and note issues using the effective interest method. Premiums paid in connection with interest rate cap agreements are amortized to interest expense over the life of the respective agreements.

E. Operating Transfers

Transfers from the various programs to the Corporate Services Fund represent (i) fees earned by the Corporation for administering its respective programs and (ii) escrow funds and excess investment earnings neither required by the programs nor returnable to the mortgagors.

F. Allowance for Credit Losses

Many of the Corporation's mortgage programs have credit enhancements, and, as such, HDC believes that the likelihood of experiencing credit losses relating to its bonded mortgage programs is unlikely. Management has determined that current charges against income are not required.

G. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

H. Reclassifications

Certain 2001 balances have been reclassified to conform with current year presentation.

I. Summarized Financial Information

The financial statements include summarized comparative information in total but not by reporting unit. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended October 31, 2001.

Note 3: Description of Programs and Corporate Services Fund

(A) New York City Housing Development Corporation

The Corporation operates two separate major programs. One program is governed by the Corporation's respective bond resolutions and the other program concerns its Corporate Services Fund.

(i) Multi-Family Bond Programs:

(a) Section 223(f)

The Multi-Family Bond Program was originally established in 1977 in connection with the refinancing of 73 existing multi-family housing projects which had been financed by Mitchell-Lama mortgage loans payable to the City.

(b) Housing Revenue Bond

The Corporation, under this program, issues bonds payable solely from assets held under the Housing Revenue Bond Resolution. Currently, the program includes Federal Housing Administration ("FHA") insured mortgage loans, State of New York Mortgage Agency ("SONYMA") insured mortgage loans, Government National Mortgage Association ("GNMA") mortgage-backed securities, REMIC insured mortgage loans and other non-guaranteed mortgage loans.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

The bond issues are secured by the revenues earned on the loans, securities and other pledged assets related to such loans, including Section 8 rental subsidy payments funded under the United States Housing Act of 1937, as amended, and Section 236 interest reduction subsidies under Section 236 of the National Housing Act of 1934, as amended where applicable.

(c) 80/20

This program was established to provide funds for the construction and/or permanent financing for multi-family housing projects. All of the projects in this program provide or will provide a mixture of market rate apartments (up to 80 percent) and apartments for low and moderate-income tenants (at least 20 percent) as required by the Code or the Corporation and as authorized by Section 654(23-c) of the Act.

(d) 100% Low Income Tax-Exempt Bond

This program was established to provide a portion of the financing for newly constructed and rehabilitated developments. This program combines tax-exempt bonds with other subsidy programs available within the City. The most commonly utilized subsidy has been New York City's Section 421-a Negotiable Certificate Program, through which transferable real estate tax benefits generated by the low-income project are linked to the demand for such benefits from newly constructed market rate housing projects in high-cost areas of Manhattan. By selling their earned real estate tax benefits to developers of market rate developments, low-income builders are able to repay the tax-exempt bond funded construction loans.

(e) Hospital Residence

This program was established to provide financing for residential facilities for hospital staff.

(f) Residential Cooperative Housing

This program was established to provide a portion of the financing for residential housing cooperative programs.

(g) Senior Housing

This program was established to provide financing for residential housing for low-income senior citizens.

(ii) Corporate Service Fund:

This fund accounts for (1) fees and earnings transferred from the programs described above; (2) Section 8 administrative fees; (3) fees earned on loans serviced for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) the Dedicated Account (see note 5).

(B) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established, pursuant to Section 654-b of the Act, as a subsidiary of the Corporation.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate-income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments.

(C) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation.

The proceeds of the obligations of HNYC were used to finance certain projects developed pursuant to the Housing New York Program, a joint effort of the City and the State, created for the purpose of providing residential housing facilities for low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HNYC granted monies at the direction of the City to finance residential housing facilities. The obligations of HNYC are to be repaid out of assigned excess revenues generated by development at Battery Park City. These revenues consist of excess cash flow to the Battery Park City Authority ("BPCA") resulting from rental and other payments under certain leases with certain private owners. HNYC is also authorized and empowered to receive monies from the Corporation, the BPCA, the federal government or any other source. The bonds of HNYC are not a debt of the State, the BPCA, the City or the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

(D) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

REMIC is required to maintain certain reserves. One such reserve is the housing insurance fund, which shall be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts issued by REMIC. The housing insurance fund requirement as of any particular date must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The housing insurance fund requirement at October 31, 2002 is \$20,931,000.

REMIC must also maintain a mortgage insurance fund which shall be used solely for the payment of liabilities arising from mortgage insurance contracts which are contracts of the Old REMIC. The mortgage insurance fund requirement at October 31, 2002 is \$3,251,000, which constitutes one hundred percent of the insured mortgage loans.

Any income or interest earned on the funds described above due to the investment of those funds in excess of their respective requirements shall be transferred at least annually to the premium reserve fund. The premium reserve fund must also be maintained to provide for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 2002 is \$7,123,000.

Note 4: Investments and Deposits

The Corporation and its subsidiaries are authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set by the Members of the Corporation, HAC, HNYC and REMIC. These policies are carried out on an ongoing basis by the Corporation's Investment Committee. The Corporation and its subsidiaries principally invest in securities of the United States and its agencies, certificates of deposit ("CDs"), commercial paper, open time deposits ("OTDs") and repurchase agreements. Neither HDC, HAC, HNYC nor REMIC entered into any reverse repurchase agreements. According to management, the Corporation and its subsidiaries were not in violation of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis. All interest rate ranges include rates on investments held throughout the fiscal year.

During fiscal year 2002, realized investment gains amounted to \$154,000 while realized investment losses were \$3,000. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held prior to the current fiscal year and sold in this fiscal year may have been recognized as an increase or decrease in the fair value of investments prior to fiscal year 2002.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

Governmental Accounting Standards Board ("GASB") Statement No. 3 requires disclosure of the level of investment risk assumed by the Corporation as of October 31, 2002. Category 1 includes investments that are insured or registered, or held by the Corporation, or its agent in its name. Investments are categorized by credit risk as follows:

Category	Total HDC	Total HAC	Total HNYC	Total REMIC	Total Memorandum Only		
					2002	2001	
(in thousands)							
U.S. Treasury Bonds	1	\$ 51,788	-	28,221	-	80,009	75,422
U.S. Treasury Bills	1	87,239	-	-	-	87,239	83,866
U.S. Treasury Notes	1	11,924	-	-	-	11,924	64,017
U.S. Treasury Strips	1	384	26,823	-	-	27,207	27,869
Fixed Repurchase							
Agreements	1	208,075	2,266	24,066	540	234,947	189,788
G.N.M.A.	1	48,591	-	-	-	48,591	31,904
Open Time Deposits	1	283,307	-	-	-	283,307	157,985
Term Repurchase							
Agreements	1	51,490	-	-	-	51,490	53,389
Freddie Mac Notes	1	-	-	-	-	-	14,138
Federal Farm							
Credit Notes	1	-	-	-	3,291	3,291	3,291
Commercial Paper	1	153,598	-	-	-	153,598	226,474
Money Market and							
Now Accounts	N/A	1,424	-	-	-	1,424	2,498
Federal Home Loan Mortgage	1	20,203	-	-	1,024	21,227	505
FNMA Callable Med Term Note	1	15,122	-	-	24,380	39,502	36,000
FNMA Discount Note	1	-	-	-	-	-	27,515
FHLB Notes Callable	1	34,254	-	-	2,927	37,181	-
FHLB Bonds	1	13,787	-	-	5,077	18,864	20,269
Totals		\$ 981,186	29,089	52,287	37,239	1,099,801	1,014,930

Fixed repurchase agreements are held pursuant to written master repurchase agreements which permit liquidation of the applicable securities in the event of a default. Maturities range from 1 to 33 days. Margin requirements are 101% for overnight repurchase agreements and 102% for repurchase agreements maturing up to 34 days, all of which are priced daily. These agreements are used to provide short-term liquidity. Interest rates on all fixed repurchase agreements ranged from 1.5% to 2.55%. Maturity dates on all fixed repurchase agreements range from November 1, 2002 to November 15, 2002.

Funds deposited into Money Market and NOW accounts were Section 8 Annual Contract Contribution funds received from the United States Department of Housing and Urban Development ("HUD"). These deposits as well as any other HUD deposits in the applicable bank are Federal Deposit Insurance Corporation ("FDIC") insured in an amount up to \$100,000 collectively.

During the fiscal year, HDC entered into eight OTD agreements. OTDs are non-participating, guaranteed investment agreements. At October 31, 2002, the cost basis of all unsecured OTDs amounted to \$283,307,000. Interest rates on all OTDs range from 1.49% to 6.78% with maturity dates that range from December 31, 2002 to November 1, 2042.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

Term repurchase agreements are non-participating, guaranteed investment contracts. The interest rates under three revolving term repurchase agreements range from 6.16% to 6.6% with maturity dates that range from May 1, 2012 to April 1, 2030. Margin requirements under these agreements are 103% with weekly pricing of securities. Collateral securities were held by the respective bond program's trustee.

Freddie Mac Notes have maturity dates ranging from November 12, 2003 to December 19, 2016. Yield rates on these investments range from 2.875% to 6.5%. Federal Farm Credit Notes have a maturity date of May 17, 2011 and a yield rate of 6.23%.

Commercial Paper have maturity dates ranging from November 4, 2002 to December 16, 2002 and yield rates of 1.62% to 2.53%.

Combined cash deposits total \$11,102,000 at October 31, 2002. These accounts were maintained with bond trustees as well as with major commercial banks. HDC's cash deposits amounting to \$312,000 are FDIC insured, while \$100,000 of the City's Department of Housing Preservation and Development ("HPD") funds held for the City are collectively insured with other City funds in an amount up to \$100,000. HAC, HNYC, and REMIC have FDIC insured cash deposits totaling \$2,000, \$3,000 and \$4,000 respectively. All other cash deposits are uninsured.

Note 5: Mortgage and Other Loans

The Corporation has outstanding, under various programs, mortgage loans of \$3,124,303,000 and \$2,605,797,000 as of October 31, 2002 and 2001, respectively which have been issued to a number of qualified housing sponsors. Mortgage loans outstanding at October 31, 2002 and 2001 by program were as follows:

Program	Total HDC	Total HAC	Total	
			Memorandum Only 2002	2001
<i>(in thousands)</i>				
Section 223 (f)	\$ 271,181	—	271,181	282,993
Housing Revenue Bond	1,141,116	—	1,141,116	771,811
80/20	1,350,796	—	1,350,796	1,219,514
100% Low-Income Tax-Exempt	29,553	—	29,553	32,642
Hospital Residence	130,620	—	130,620	134,995
Residential Cooperative Housing	27,158	—	27,158	27,557
Corporate Services	123,814	—	123,814	86,020
Senior Housing	5,900	—	5,900	6,100
Other	—	44,165	44,165	44,165
Totals	\$3,080,138	44,165	3,124,303	2,605,797

The mortgage loans listed above are originally repayable over terms of 8 to 49 years and bear interest at rates from .8% to 10.36% per annum. Primarily all mortgage loans receivable are collateralized by first mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors. HDC has funded subordinate mortgage loans in the amount of \$472,385,000, while HPD has funded subordinate loans held by HDC in the amount of \$48,116,000. HAC held eight subordinate mortgage loans that amounted to \$44,165,000 on October 31, 2002.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

With respect to the 223(f) Program, (a) the excess of mortgagors' payments over bond debt service payments, trustee fees and servicing fees to the Corporation and (b) the earnings on certain restricted funds (which are excluded from the Combined Statement of Revenues and Expenses) through April 30, 1996 formerly were payable to the City. Since May 1, 1996 all program revenues have been retained by the Corporation as all future cash flows were purchased by the Corporation for \$21,000,000 in fiscal year 1996.

With respect to the 2001 Series B Multi-Family Housing Revenue Bond Program, the earnings on certain restricted funds (which are also excluded from revenues) were payable to the City under a prior bond program. Currently all program revenues have been retained by the Corporation as all amounts remaining due to the City were purchased by the Corporation for \$11,000,000.

Through April 30, 1996, these funds were paid to the City by the Corporate Services Fund. Since May 1, 1996, amounts representing future excess cash flows have been amortized in the Corporate Services Fund over the remaining program life using the yield method. Amortization for fiscal year 2002 amounted to \$1,387,000 and is included by the Corporate Services Fund as non-operating expenses. The unamortized portion of these payments is included under the caption Other Assets in the Combined Balance Sheet. Amounts previously recorded as non-operating expenses in the 223(f) Program and the Multi-Unit Program have been included in operating transfers as of May 1, 1996, and will inure net of amortization to the Corporation.

In 1987, the Development Services Program ("DSP") was created to assist the City in implementing its many housing programs for low, moderate and middle-income residents. As of October 31, 2002, the DSP consists of three subprograms. The source of funding for the DSP is certain corporate reserves which have been set aside in a separate account, the Dedicated Account, which is included in the Corporate Services Fund. Loans made under the DSP are either interest free or have low interest rates. The Corporation's role in the two subprograms involves the lending of the funds on deposit in the Dedicated Account. In the other subprogram, the Corporation has servicing responsibilities with regard to loans made by HPD (see note 12).

The Housing Assistance Corporation financed mortgages for eight projects for various construction costs and capitalized interest. Five mortgages were second liens on buildings which have been rehabilitated. These NYC funded loans accrue interest at the rate of 1% per annum although payments are not due for approximately twenty years after origination. Three subordinate mortgage loans were made to fund certain expenses of constructing new projects. Two secondary loans bear no interest for approximately twenty five years after closing and then bear interest at the rate of 1% per annum. Another new construction secondary loan originally had similar terms. This loan was restructured and the mortgagor will begin making interest only payments and the term of the loan was extended five years. To induce HAC to refinance the loan, the mortgagor paid an up front restructuring fee of \$1,000,000.

Note 6: Other Receivables

(A) New York City Housing Development Corporation

Other Receivables amount to \$8,725,000, which represents commitment and financing fees, servicing fees, Reserve for Replacement loans and Corporate Services Fund Other Loans described in note 5.

(B) Housing New York Corporation

Other Receivables amounts to \$205,854,000, which is composed in part of \$142,728,000 in funds advanced to the City through October 31, 2002 in accordance with the 1993 Series A Revenue Bond Resolution. The City used these monies to reimburse itself for the costs incurred in connection with the substantial rehabilitation of residential housing and related facilities in Manhattan and the Bronx under the Housing New York Program. For a description of the manner in which advances made to the City will be repaid, see note 3(c). The remaining balance of \$63,126,000 represents funds used to cover debt service. On May 1, 1993, HNYC began to require payment of assigned excess revenues from the BPCA on each debit service date in amounts necessary to cover bond principal and interest and HNYC trustee fees. Amounts recorded under the caption Other Revenues on the Combined Statement of Revenues and Expenses are used to cover program expenses.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

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Note 7: Bonds Payable

Changes in bonds payable for the year ended October 31, 2002 were as follows:

Description of Bonds as Issued	Balance at Oct. 31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
Housing Development Corporation					
Multi-Family Bond Programs:					
Section 223(f):					
Multi-Family Housing Bond Program—6.5% to 7.25% Bonds maturing in varying installments through 2019.....	\$ 283,673	—	(8,883)	274,790	12,342
Total Section 223(f)	\$ 283,673	—	(8,883)	274,790	12,342
Housing Revenue Bond Program:					
1993 Series A & B Bond Program—2.75% to 5.85% Serial and Term Bonds maturing in varying installments through 2026.....	\$ 114,880	—	(23,385)	91,495	1,935
1994 Series A PLP Bond Program—8.4% and 8.95% Term Bonds maturing in varying installments through 2025.....	5,285	—	(300)	4,985	325
1995 Series A Multi-family Housing Revenue Bond Program—3.5% to 5.6% Serial Bonds maturing in varying installments through 2007.....	20,095	—	(3,965)	16,130	3,080
1996 Series A Multi-Family Housing Revenue Bond Program—3.6% to 5.625% Serial and Term Bonds maturing in varying installments through 2012.....	164,420	—	(94,325)	70,095	7,300
1997 Series A & B Multi-Family Housing Revenue Bond Program—3.7% to 5.875% Serial and Term Bonds maturing in varying installments through 2018.....	22,665	—	(925)	21,740	980
1997 Series C Multi-Family Housing Revenue Bond Program—6.73% Term Bonds maturing in varying installments through 2011.....	26,200	—	(1,910)	24,290	2,040
1998 Series A Multi-Family Housing Revenue Bond Program—6.84% Term Bonds maturing in varying installments through 2030.....	57,500	—	(700)	56,800	800

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Notes to the Combined Financial Statements

October 31, 2002

Description of Bonds as Issued	Balance at Oct. 31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
1998 Series B Multi-Family Housing Revenue Bond Program—3.75% to 5.25% Serial and Term Bonds maturing in varying installments through 2031.....	21,380	—	(165)	21,215	320
1999 Series A-1 & A-2 Multi-Family Housing Revenue Bond Program—5.83% to 6.06% Term Bonds maturing in varying installments through 2022 and 2.04% to 2.44% Variable Rate Bonds due upon demand through 2037.....	63,300	—	(2,200)	61,100	2,300
1999 Series B-1 & B-2 Multi-Family Housing Revenue Bond Program—6.83% to 7.32% Term Bonds maturing in varying installments through 2022 and 2.04% to 2.44% Variable Rate Bonds due upon demand through 2031.....	40,200	—	(700)	39,500	800
1999 Series C Multi-Family Housing Revenue Bond Program—4.4% to 5.7% Serial and Term Bonds maturing in varying installments through 2031.....	9,800	—	(4,200)	5,600	115
1999 Series D Multi-Family Housing Revenue Bond Program—3.75% to 5.5% Serial and Term Bonds maturing in varying installments through 2019.....	7,865	—	(255)	7,610	265
1999 Series E Multi-Family Housing Revenue Bond Program—4.4% to 6.25% Serial and Term Bonds maturing in varying installments through 2036.....	10,715	—	(45)	10,670	650
2000 Series A & B Multi-Family Housing Revenue Bond Program—4.65% to 7.79% Serial and Term Bonds maturing in varying installments through 2032.....	36,240	—	—	36,240	4685
2001 Series A Multi-Family Housing Revenue Bond Program—3.7% to 5.6% Serial and Term Bonds maturing in varying installments through 2042.....	30,115	—	—	30,115	—
2001 Series B Multi-Family Housing Revenue Bond Program—3.05% to 5.25% Serial and Term Bonds maturing in varying installments through 2016.....	87,370	—	(4,110)	83,260	4,245

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

Description of Bonds as Issued	Balance at Oct. 31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
2001 Series C-1 & C-2 Multi-Family Housing Revenue Bond Program—1.65 % to 2.08 Variable Rate Term and 2.85 to 5.40 Serial and Term bonds maturing in varying installments through 2033.....	—	28,500	—	28,500	—
2002 Series A (AMT) Multi-Family Housing Revenue Bond Program—2.20% to 5.50% Serial and Term Bonds maturing in varying Installments through 2034.....	—	36,370	—	36,370	—
2002 Series B (AMT) Multi-Family Housing Revenue Bond Program—2.20% to 5.50% Serial and Term Bonds maturing in varying installments through 2032.....	—	7,150	—	7,150	—
2002 Series C (Federally Taxable) Housing Revenue Bond Program— 2.04% to 2.07% Variable Rate Term Bonds maturing in varying Installments through 2034	—	49,500	—	49,500	—
2002 Series D (Federally Taxable) Housing Revenue Bond Program— 2.04% to 2.07% Variable Rate Term Bonds maturing in varying Installments through 2032	—	285,000	—	285,000	4,300
Total Housing Revenue Bond Program	718,030	406,520	(137,185)	987,365	34,140
80/20:					
1989 Series A Upper Fifth Avenue Project—.85% to 1.95% Variable Rate Bonds due upon demand through 2016.....	4,900	—	—	4,900	—
1993 Series A & B and 1995 Series A Manhattan Park—6.25% to 8% Term Bonds maturing in varying installments through 2030.....	154,525	—	(1,735)	52,790	1,875
1993 Series A Manhattan West Development—5.7% Term Bonds maturing in varying installments through 2036.....	141,735	—	—	141,735	—
1994 Series A James Tower Development—.90% to 1.80% Variable Rate Bonds maturing in varying installments through 2005	22,700	—	(22,700)	—	—
1995 Series A Columbus Apartments Development—.85% to 1.85 Variable Rate Bonds maturing in varying installments through 2025	21,970	—	(100)	21,870	—

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Description of Bonds as Issued	Balance at Oct. 31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
1996 Series A Barclay Avenue Development— 5.75% to 6.6% Term Bonds maturing in varying installments through 2033.....	5,450	—	(55)	5,395	60
1997 Series A Related-Columbus Green Project—.85% to 1.85% Variable Rate Bonds due upon demand through 2019.....	13,775	—	—	13,775	—
1997 Series A Related-Carnegie Park Project— .85% to 1.85 Variable Rate Bonds due upon demand through 2019.....	66,800	—	—	66,800	—
1997 Series A Related-Monterey Project—.85% to 1.85% Variable Rate Bonds due upon demand through 2019.....	104,600	—	—	104,600	—
1997 Series A Related-Tribeca Tower Project— .9% to 1.9% Variable Rate Bonds due upon demand through 2019.....	55,000	—	—	55,000	—
1998 Series A & B Parkgate Development Project—.9% to 1.75% Variable Rate Bonds due upon demand through 2028.....	36,500	—	—	36,500	—
1998 Series A & B One Columbus Place Project—.9% to 2.5% Variable Rate Bonds due upon demand through 2028.....	146,900	—	(1,300)	145,600	1,200
1998 Series A & B Related Broadway Project— Variable Rate Bonds due upon demand through 2031.....	89,000	—	(89,000)	—	—
1998 Series A & B Jane Street Development— .9% to 2.15% Variable Rate Bonds due upon demand through 2028.....	17,275	—	(200)	17,075	200
1999 Series A & B West 43rd Street Project— .9% to 2.5% Variable Rate Bonds due upon demand through 2029.....	54,920	—	(500)	54,420	400
1999 Series A Brittany Development Project— .9% to 1.9% Variable Rate Bonds due upon demand through 2029.....	57,000	—	—	57,000	—
1999 Series A & B West 54th Street Development —.95% to 2.5% Variable Rate Bonds due upon demand through 2032.....	60,400	—	(60,400)	—	—

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

Description of Bonds as Issued	Balance at Oct. 31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
2000 Series A Related West 89th Development— .9% to 1.9% Variable Rate Bonds due upon demand through 2029.....	53,000	—	—	53,000	—
2000 Series A Westmont Apartments —.9% to 1.85% Variable Rate Bonds due upon demand through 2030.....	24,200	—	—	24,200	—
2000 Series A West 26th Street Development— 1.9% to 2.55% Variable Rate Bonds due upon demand through 2033.....	72,100	—	(72,100)	—	—
2000 Series A Related 15th Street Development — .9% to 1.9% Variable Rate Bonds due upon demand through 2033.....	56,000	—	—	56,000	—
2001 Series A Queenswood Refunding— .9% to 1.75% Variable Rate Bonds due upon demand through 2031.....	10,800	—	—	10,800	—
2001 Series A & B West 48th Street— 1% 2.5% Variable Rate Bonds due upon demand through 2034.....	22,500	—	—	22,500	—
2001 Series A & B(Federally Taxable) Related Lyric Development—.9% to 2.55% Variable Rate Bonds due upon demand through 2031.....	—	91,000	—	91,000	300
2001 Series A & B(Federally Taxable) Related West 55 th Street Development— 1.05% to 2.15% Variable Rate Bonds due upon demand through 2034.....	—	130,000	—	130,000	—
2002 Series A Ninth Avenue Development— 1.85% to 2.18% Variable Rate Federally Taxable Bonds due upon demand through 2034.....	—	44,000	—	44,000	—
2002 Series A(Federally Taxable) Chelsea Centro—1.8% to 1.94% Variable Rate Bonds due upon demand through 2033.....	—	86,900	300	86,600	—
2002 Series A James Tower Development— 1.10% to 1.75% Variable Rate Bonds due upon demand through 2032.....	—	22,200	—	22,200	—
2002 Series A & B(Federally Taxable) The Foundry—1.25% to 1.90% Variable Rate Bonds due upon demand through 2032	—	60,400	—	60,400	—
Total 80/20	\$1,292,050	434,500	(248,390)	1,478,160	4,035

New York City Housing Development Corporation

Notes to the Combined Financial Statements

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Description of Bonds as Issued	Balance at Oct. 31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
100% Low-Income Tax-Exempt Bond Program:					
1999 Series A Harmony House Project—1% to 1.85% Variable Rate Bonds due upon demand through 2031.....	3,000	—	(3,000)	—	—
1999 Series A Sullivan Street Project—1% to 1.85% Variable Rate Bonds due upon demand through 2031.....	1,300	—	(1,300)	—	—
2000 Series A St. Ann's Apartments—1% to 1.85% Variable Rate Bonds due upon demand through 2032.....	3,400	—	—	3,400	—
2000 Series A Spring Creek IV—1% to 1.7% Variable Rate Bonds due upon demand through 2032.....	6,000	—	(6,000)	—	—
2000 Series A Sackman Street Project—1% to 1.85% Variable Rate Bonds due upon demand through 2032.....	2,400	—	—	2,400	—
2000 Series A East 116th Street Project—1% to 1.85% Variable Rate Bonds due upon demand through 2031.....	1,600	—	(1,600)	—	—
2000 Series A Linden Mews—1% to 1.85% Variable Rate Bonds due upon demand through 2032.....	2,800	—	(2,800)	—	—
2000 Series A Marmion Avenue—1% to 1.85% Variable Rate Bonds due upon demand through 2032.....	6,700	—	(6,700)	—	—
2000 Series A Ogden Avenue—1% to 1.9% Variable Rate Bonds due upon demand through 2032.....	9,000	—	—	9,000	—
2001 Series A Fox Street—1% to 1.9% Variable Rate Bonds due upon demand through 2033.....	7,000	—	—	7,000	—
2001 Series A Fountains at Spring Creek Project— 1% to 1.9% Variable Rate Bonds due upon demand through 2033.....	—	7,500	—	7,500	—
2001 Series A The Lafayette Project— 1% to 1.9% Variable Rate Bonds due upon demand through 2033.....	—	3,700	—	3,700	—

New York City Housing Development Corporation

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Description of Bonds as Issued	Balance at Oct.31, 2001	Issued	Retired	Balance at Oct. 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
2002 Series A Nelson Avenue Apartments— 1.15% to 1.9% Variable Rate Bonds due upon demand through 2035.....	—	9,200	—	9,200	—
Total 100% Low-Income Tax-Exempt Bond Program	\$43,200	20,400	(21,400)	42,200	—
Hospital Residence:					
1993 Series A East 17th Street Properties—.8% to 2% Variable Rate Bonds maturing in varying installments through 2023.....	\$ 33,400	—	(800)	32,600	800
1993 Series A Montefiore Medical Center—1% to 1.85% Variable Rate Term Bonds maturing in varying installments through 2030.....	8,400	—	—	8,400	100
1998 Series 1 MBIA Insured Residential Revenue Refunding Bonds—1.15% to 1.75% Periodic Auction Reset Securities maturing in varying installments through 2017.....	101,925	—	(3,575)	98,350	4,425
Total Hospital Residence	\$ 143,725	—	(4,375)	139,350	5,325
Residential Cooperative Housing:					
1994 Series A Maple Court Cooperative—6.22% Term Bonds maturing in varying installments through 2027.....	\$ 11,730	—	(175)	11,555	185
1996 Series A Maple Plaza Cooperative—6.08% Term Bonds maturing in varying installments through 2029.....	16,445	—	(220)	16,225	235
Total Residential Cooperative Housing	\$ 28,175	—	(395)	27,780	420
Senior Housing:					
2000 Series A 55 Pierrepont Development—.95% to 1.85 Variable Rate Bonds due upon demand through 2031.....	6,100	—	(200)	5,900	—
Total Senior Housing	\$ 6,100	—	(200)	5,900	—
Total Bonds Payable Housing Development Corporation	\$2,514,953	861,420	(420,828)	2,955,545	56,262

New York City Housing Development Corporation

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Description of Bonds as Issued	Balance at Oct 31, 2001	Issued	Retired	Balance at Oct 31, 2002	Amount Due Within 1 Year
<i>(in thousands)</i>					
<i>(variable rates cover fiscal year 2002)</i>					
Housing New York Corporation Revenue Bond Program:					
1993 Series A Refunding Bonds—4.9% to 6% Serial and Term Bonds maturing in varying installments through 2020.....	\$ 258,690	—	—	258,690	8,300
Total Bonds Payable Housing New York Corporation	\$ 258,690	—	—	258,690	8,300
Total Bonds Payable Prior to Deferred Bond Refunding Costs	\$2,773,643	861,420	(420,828)	3,214,235	64,562
Deferred bond refunding costs	(35,232)	—	—	(32,614)	—
Total Bonds Payable Net of Deferred Bond Refunding Costs	\$2,738,411	861,420	(420,828)	3,181,621	64,562

(A) New York City Housing Development Corporation

The Corporation's authority to issue bonds and notes for any corporate purpose is limited to the extent that (i) the aggregate principal amount outstanding may not exceed \$3.8 billion, exclusive of refunding bonds or notes, and (ii) the maximum Capital Reserve Fund requirement may not exceed \$30 million. No bonds are currently subject to the Capital Reserve Fund requirement.

(i) Multi-Family Bond Programs:

(a) Section 223(f)

The bonds of the Multi-Family Housing Bond Program are special limited obligation of the Corporation. The primary security for the bonds is the federal mortgage insurance obtained at the time the mortgages were assigned from the City. Principal and interest are paid only from the monies received for the account of the insured mortgage securing that series, including payments made by, or on behalf of, the mortgagor or HUD.

(b) Housing Revenue

The bonds issued under the Housing Revenue Bond Program are special revenue obligations of the Corporation payable solely from the revenues and assets pledged thereunder, pursuant to the Multi-Family Housing Revenue Bond general and supplemental resolutions (see note 3).

On November 6, 2001, the Corporation issued \$28,500,000 of its 2001 Series C-1 and C-2 Multi-Family Housing Revenue Bonds, to finance construction and permanent mortgage loans for certain newly constructed or substantially rehabilitated developments.

HDC issued four Multi-Family Housing Revenue Bond series on June 20, 2002 totaling \$378,020,000. The 2002 Series A (AMT) bonds in the amount of \$36,370,000 were issued to finance construction and permanent mortgage loans for certain newly constructed developments. The 2002 Series B (AMT) bonds in the amount of \$7,150,000 were issued to retire a portion of certain of the Corporation's outstanding bonds, issued under separate bond resolutions of the Corporation,

New York City Housing Development Corporation

Notes to the Combined Financial Statements

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and to thereby acquire the related mortgage loans for certain newly constructed developments. The 2002 Series C (Federally Taxable) bonds for \$49,500,000 were issued to finance construction and permanent mortgage loans for certain newly constructed or substantially rehabilitated developments. The 2002 Series D (Federally Taxable) bonds for \$285,000,000 were issued to finance the acquisition of (i) a participation interest in 380 permanent mortgage loans for certain developments and (ii) a participation interest in a portion of the cash flow derived from a trust certificate evidencing a beneficial ownership interest in permanent mortgage loans for certain developments. On April 30, 2002, the face amount of the 380 loans in which the Corporation purchased a 100% participation interest, equaled \$413,393,000 and the face amount of the loans secured by the trust certificate equaled \$269,122,000.

The trust certificate represents a secondary ownership interest in a pool of approximately 90 mortgage loans. The primary interest in this certificate is currently held by the Federal National Mortgage Association ("Fannie Mae"). Fannie Mae anticipates that it will collect payments received from these mortgage loans prior to March 2007. HDC anticipates that it will begin to receive payments beginning in March 2007.

Upon repayment of all of the 2002 Series D Bonds, the pledge of the program's assets will be released and HDC's participation interest will revert back to the City.

In connection with the 2002 Series C and the 2002 Series D Bonds which have variable interest rates, the Corporation has entered into three Interest Rate Cap Agreements with the New York City Transitional Finance Authority ("TFA") for an upfront payment of \$23,093,000.

With respect to an initial notational amount of \$49,395,000 which amortizes on a quarterly basis commencing August 1, 2004 through May 1, 2009, TFA is obligated to pay to the Corporation with respect to the outstanding notational amount, an amount calculated using the rate by which the Three-Month London Interbank Offered Rate ("LIBOR") exceeds a Strike Rate of 7.35% for the period from May 1, 2004 through May 1, 2009.

With respect to an initial notational amount of \$149,600,000 which amortizes on a quarterly basis commencing August 1, 2009 through November 1, 2032, TFA is obligated to pay to the Corporation with respect to the outstanding notational amount, an amount calculated using the rate by which Three-Month LIBOR exceeds a Strike Rate of 7.35% for the period from the date of issuance of the 2002 Series D Bonds through November 1, 2032.

With respect to an initial notational amount of \$135,400,000 which amortizes on a quarterly basis commencing August 1, 2007 through May 1, 2027, TFA is obligated to pay to the Corporation with respect to the outstanding notational amount, an amount calculated using the rate by which Three-Month LIBOR exceeds a Strike Rate of (a) 4.85% for the period from the date of issuance of the 2002 D Bonds through April 30, 2007 and (b) 7.35% from May 1, 2007 through May 1, 2027.

Under each of the Interest Rate Cap Agreements, TFA is not obligated to pay the Corporation with respect to such notational amounts, the amount by which the rate exceeds a ceiling rate of 14.85%.

The \$334,500,000 in bond principal of the 2002 Series C and the 2002 Series D Bonds is not exchanged between HDC and TFA; it is only the interest amounts exceeding the Strike Rates that are exchanged. The Corporation will be exposed to variable rate risks if TFA defaults.

(c) 80/20

The bonds under this heading are also special revenue obligations of the Corporation and different bonds are secured by different forms of security such as a pledge of the mortgage loans, the programs' assets, the revenues derived from these loans and assets, a letter of credit, FHA mortgage insurance, REMIC mortgage insurance, Fannie Mae mortgage collateral agreements or credit enhancement agreements and Freddie Mac guarantees, each as the case may be.

On November 1, 2001, HDC issued \$91,000,000 of its variable rate Multi-Family Rental Housing Revenue Bonds (Related - Lyric Development), 2001 Series A and B (Federally Taxable) in order to refinance the project and to refund bonds previously

New York City Housing Development Corporation

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issued by the Corporation. As a result of this, refinancing, the 1998 Series A & B Related Broadway Project Variable Rate Bonds were retired.

On December 18, 2001, HDC issued \$130,000,000 variable rate Multi-Family Mortgage Revenue Bonds (Related – West 55th Street Development) Series A and B (Federally Taxable) to finance a mortgage loan for the purposes of paying the costs of acquiring, constructing and equipping a rental housing facility as well as certain other costs of issuing the bonds.

On January 4, 2002, the Corporation issued \$44,000,000 of its variable rate 2002 Series A (Federally Taxable) Multi-Family Mortgage Revenue Bonds (Ninth Avenue Development) to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a rental housing facility and to pay certain other costs related to the bonds.

On May 15, 2002, the Corporation issued its 2002 Series A (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (Chelsea Centro) in the amount of \$86,900,000. These variable rate bonds were issued to finance a mortgage loan for the purposes of refinancing a rental housing facility and reimbursing the mortgagor for additional project costs as well costs related to the bonds. These bonds replaced the 2000 Series A West 26th Street Development Variable Rate Bonds which were retired.

On July 12, 2002, HDC issued \$22,200,000 of its variable rate 2002 Series A Multi-Family Rental Housing Revenue Bonds (James Tower Development) to refinance the project that was previously financed with other bonds of the Corporation. The 1994 Series A James Tower Development Variable Rate Bonds were retired as a result of this transaction.

On August 22, 2002 the variable rate 2002 Series A and B (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (The Foundry) were issued in the amount of \$60,400,000 to refinance the project's mortgage loan. The mortgage loan had previously been financed by the 1999 Series A & B West 54th Street Development Variable Rate Bonds which have been retired.

(d) 100% Low -Income Tax-Exempt

The bonds issued under the 100% Low-Income Tax Exempt program are special obligations of the Corporation payable from the revenues and amounts on deposit in the accounts of the respective issues as more fully described in each issue's respective official statement. Additionally each bond series is payable from amounts obtained under the individual direct pay letters of credit issued by the respective credit issuers.

On November 21, 2001, the Corporation closed two separate variable rate bond issues. Both the \$7,500,000 2001 Series A Multi-Family Mortgage Revenue Bonds (Fountains at Spring Creek Project), and the \$3,700,000 2001 Series A Multi-Family Mortgage Revenue Bonds (Lafayette Project) were issued to finance mortgage loans covering a portion of the costs of constructing or rehabilitating as well as equipping each respective project.

On October 3, 2002 HDC issued its variable rate 2002 Series A Multi-Family Mortgage Revenue Bonds (Nelson Avenue Apartments) in the amount of \$9,200,000 to finance a portion of the costs of constructing and equipping a multi-family rental housing facility.

(e) Hospital Residence

The bonds under this program are secured by either bond insurance and/or a letter of credit and are special revenue obligations of the Corporation.

(f) Residential Cooperative Housing

The two bond issues of this program are special obligations of the Corporation which are primarily secured by a pledge of payments to be made under the SONYMA insured mortgage loans subject to the terms and conditions contained in the respective insurance contracts. They are additionally secured by the revenues and accounts of the respective issues.

(g) Senior Housing

This bond issue is secured by a direct pay letter of credit.

New York City Housing Development Corporation

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All the bonds of the programs listed above are subject to redemption. Certain issues are also subject to special redemption provisions. The parameters under which the redemptions may occur are set forth in the respective bond resolutions

(B) Housing Assistance Corporation
HAC is not authorized to issue bonds or notes.

(C) Housing New York Corporation
The bonds and notes of HNYC are not a debt of the State, the BPCA, the City or the Corporation (see note 3C).

Revenue Bond Program:

The 1993 Series A Bonds are special revenue obligations of HNYC secured by a pledge of excess revenues from leases executed by the BPCA on or before January 1, 1986 which are in excess of amounts necessary to (1) satisfy certain of the BPCA's bond and note covenants, (2) fulfill all of the BPCA's legal and financial commitments and (3) pay the BPCA's operating and maintenance expenses. These bonds are also secured by monies and securities in the accounts held by the Trustee under and pursuant to the resolution, including the Debt Service Reserve Account. These bonds are not secured by mortgages, leases or other interests in any of the residential housing facilities built with the proceeds of the bonds.

(D) New York City Residential Mortgage Insurance Corporation
REMIC is not authorized to issue bonds or notes.

Required debt payments by the Corporation and HNYC for the next five years and thereafter are as follows:

Year Ending October 31, <i>(in thousands)</i>	HDC		HNYC		Total
	Principal	Interest	Principal	Interest	
2003.....	\$ 56,262	105,138	8,300	13,217	182,917
2004.....	46,007	103,099	8,705	12,753	170,564
2005.....	51,854	100,653	9,225	12,261	173,993
2006.....	64,687	97,806	9,690	11,783	183,966
2007.....	56,421	94,920	10,180	11,272	172,793
Total 2003 – 2007.....	\$ 275,231	501,616	46,100	61,286	884,233
2008 – 2012.....	351,724	425,491	59,575	47,438	884,228
2013 – 2017.....	395,406	332,952	76,630	30,051	835,039
2018 – 2022.....	496,034	241,461	76,385	8,482	822,362
2023 – 2027.....	243,435	181,148	—	—	424,583
2028 – 2032.....	756,295	99,170	—	—	855,465
2033 – 2037.....	428,245	20,295	—	—	448,540
2038 – 2042.....	8,210	1,590	—	—	9,800
2043 – 2043.....	965	27	—	—	992
Totals.....	\$ 2,955,545	1,803,750	258,690	147,257	5,165,242

Note 8: Consultant's Fees

New York City Housing Development Corporation

The fees paid by the Corporation for legal and consulting services in fiscal year 2002 for HDC include: \$29,000 to Hawkins, Delafield and Wood; \$47,000 to Epstein, Becker & Green, P.C., and \$368,000 to Debevoise & Plimpton for legal services. Auditing Fees of \$176,000 were paid to Ernst & Young. The Corporation paid consulting fees in the amount of \$5,000 to Sungard Recovery, \$5,000 to Marcia Lee Productions, \$1,000 to Carlton Architecture, and \$500 to 170 Systems. Ms. Leslie Shields was paid \$500 for organization services and WTC grief counseling services.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

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In addition, the Corporation paid legal fees of \$840,000 to Hawkins, Delafield & Wood for services provided as a result of bond financings. The Corporation has been reimbursed for the expenses set forth in this paragraph from either bond proceeds or project developers.

Note 9: Payable to The City of New York

(A) New York City Housing Development Corporation

HPD acts as the regulatory agency for the 1996 Series A Housing Revenue Bond Program mortgages, and as such, receives servicing fees from HDC. On October 31, 2002, the 1996 Series A Housing Revenue Bond Program servicing fees payable to HPD were \$28,000.

At the beginning of the fiscal year, the Section 223(f) Housing Program has a total liability of \$11,621,000 to the City. During this year, this obligation was settled as the Corporation repaid all sums owed.

Also included in this reporting classification are participation mortgages and investment earnings. During the year the participation mortgages held under the 1995 Series A Multi-Family Housing Revenue Bond Program, the 1997 Series A Multi-Family Housing Revenue Bond Program and the 1999 Series D Multi-Family Housing Revenue Bond Program (Sheridan Manor) were assigned to HDC and transferred to the 2002 Series D Multi-Family Housing Revenue Bond Program along with other loans previously held by the City. HDC received a 100% participation interest in these loans and used a portion of the proceeds of the sale of bonds to reimburse the City. The excess of the programs assets over the bond obligations and fees payable to the Corporation will be returned to the City upon satisfaction of the bonds. At October 31, 2002, HDC's payable to the City under this program amounted to \$185,403,000.

The Corporation under its DSP has initiated an HPD Loan Servicing Program. From 1991 through 2000, HPD transmitted \$1,030,065,000, and for 2002, \$122,326,000 to the Corporation for this activity. At October 31, 2002, the payable to the City in the Corporate Services Fund was \$110,741,000.

(B) Housing Assistance Corporation

The funds received from the City for HAC as well as any earnings on the funds (see note 3(B)) are also included in this reporting classification on the Combined Balance Sheet. At October 31, 2002, total resources payable to the City amounted to \$75,432,000. The resources held for the City are primarily the mortgage loans described in note 5, and the investments held to fund tenant assistance payments listed in note 4.

(C) Housing New York Corporation

The Corporation is servicing four loans under the Vacant Cluster Program with funds received from the City. At October 31, 2002, total funds held for the City amounted to \$690,000.

Note 10: Retirement System

The Corporation and REMIC are participating employers in the New York City Employees' Retirement System (the "System") of which 32 employees of the Corporation and 3 employees of REMIC are members. The Corporation and REMIC were not required to make any payments to New York City Employees' Retirement System for the period covering the Corporation's fiscal year.

The Corporation offers its employees the option of participating in a Tax Sheltered Annuity Plan managed by The Equitable Life Assurance Society of the United States as an alternate retirement plan under Section 403(b) of the Internal Revenue Code. The Internal Revenue Service has approved the Corporation as an entity which can provide this type of plan to its employees. The majority of the Corporation's employees participate in this plan.

Note 11: Due to the United States Government

The amount reported in this classification is made up of two major components. A general description of each of the components is as follows:

A. Due to HUD

The Corporation has entered into contracts with HUD to administer housing assistance payment contracts with housing projects occupied by tenants qualifying for Section 8 housing assistance payments. Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee, if applicable, for the Corporation.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

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The Corporation receives the annual contract contributions periodically during the year and disburses funds monthly for the benefit of the covered projects. As of October 31, 2002, the Corporation held \$1,424,000 in prefunded annual contributions. Related fees earned during fiscal year 2002 amounted to \$2,399,000 and are included in the Corporate Services Fund.

On August 1, 1993, the Corporation entered into a Financial Adjustment Factor ("FAF") Refunding Agreement covering the 1993 Series A Multi-Family Housing Revenue Bond Program. Under this agreement the Corporation returns excess Section 8 subsidy funds to HUD. At October 31, 2002, this amount totaled \$24,000.

The Corporation also holds an amount of \$31,000 which represents excess 236 interest reduction subsidies.

B. Rebate Fund

In order to maintain the exemption from federal income tax of interest on bonds issued subsequent to January 1, 1986, the Corporation established a separate fund, the Rebate Fund, into which amounts required to be rebated to the Federal Government pursuant to Section 148 of the Code are deposited. The Code requires the payment to the United States Treasury of the excess of the amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue. Project or construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Issues with respect to which all gross proceeds are expended for the governmental purpose of the issue within the required time period after the date of issue and debt service funds with annual gross earnings of less than \$100,000 are exempt from this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. At October 31, 2002, HDC had set aside \$470,000 in rebatable funds.

Note 12: Commitments

(A) New York City Housing Development Corporation

The Corporation is committed under one operating lease for office space for minimum annual rentals for the next five years and thereafter as follows:

Year Ending October 31,	
2003.....	\$ 1,155,000
2004.....	1,149,000
2005.....	1,217,000
2006.....	1,240,000
2007.....	1,240,000
Total 2003 – 2007.....	<u>6,001,000</u>
2008 – 2012.....	6,581,000
2013 – 2015.....	3,102,000
Total.....	<u>\$15,684,000</u>

For fiscal year 2002, the Corporation's rental expense amounted to \$1,183,000.

Remaining mortgage commitments and other loan commitments at October 31, 2002 are as follows:

Mortgage Loans:	
Multi-Family Bond Programs	
Housing Revenue.....	\$ 82,603,000
80/20.....	155,372,000
100% Low Income Tax-Exempt.....	10,947,000
Total Mortgage Loan Commitments.....	<u>\$ 248,922,000</u>
Other Loans:	
Corporate Service.....	82,180,000
Total Commitments.....	<u>\$ 331,102,000</u>

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

(B) New York City Residential Mortgage Insurance Corporation

HDC is committed under one operating lease for office space and allocates a percentage of that office space to REMIC for minimum annual rentals for the next five years and thereafter as follows:

Year Ending October 31	
2003.....	\$ 50,000
2004.....	56,000
2005.....	60,000
2006.....	61,000
2007.....	61,000
Total 2003 – 2007.....	\$284,000
2008 – 2012.....	322,000
2013 – 2015.....	151,000
Total.....	\$761,000

For fiscal year 2002, REMIC's rental expense amounted to \$56,000.

As of October 31, 2002, REMIC insured loans with coverage totaling \$73,021,000 and had outstanding commitments to insure loans with a maximum insurance coverage of \$34,476,000.

Note 13: Contingencies

In the normal conduct of the Corporation's business, it is involved in litigation matters. In the opinion of management and the Corporation's legal counsel, the ultimate disposition of such litigation should not have a material adverse effect on the combined financial position of the Corporation.

Note 14: Net Assets

The Corporation's Net Assets are categorized as follows:

- Restricted
- Unrestricted

Restricted assets include net assets that have been restricted in use in accordance with the terms of an award, agreement or by State law. Unrestricted assets include all net assets not included above.

Changes in Net Assets

The changes during 2002 in Net Assets are as follows:

	Restricted	Unrestricted	Totals
Net Assets-			
Beginning of year	\$314,569,000	353,043,000	667,612,000
Income	28,179,000	17,231,000	45,410,000
Transfers	(11,408,000)	11,408,000	—
Net Assets-			
End of year	\$331,340,000	381,682,000	713,022,000

New York City Housing Development Corporation

Notes to the Combined Financial Statements

October 31, 2002

Out of the total Unrestricted Net Assets listed below, \$146,104,000 are committed to mortgages, other loans, and arbitrage purchased from New York City. An additional \$171,012,000 has been designated by the Members for future mortgage advances pursuant to housing programs established by the Corporation. The Corporation also has \$4,999,000 in fixed assets.

Summary of Unrestricted Net Assets

	2002	2001
Designated Assets:		
Housing Programs	\$171,012,000	182,776,000
Existing Mortgages	124,139,000	84,899,000
Sale of Mortgages	756,000	1,356,000
Arbitrage purchased from New York City	21,209,000	22,596,000
Fixed Assets	4,999,000	5,927,000
Working Capital	5,000,000	5,000,000
Rating Agency Reserve Requirement	40,000,000	40,000,000
Total Designated	<u>\$367,115,000</u>	<u>342,554,000</u>
Non-Designated Assets:		
REMIC	12,771,000	8,722,000
Housing New York Corporation	1,796,000	1,767,000
Total Non-Designated	<u>\$ 14,567,000</u>	<u>10,489,000</u>
Total Unrestricted Net Assets	<u>\$381,682,000</u>	<u>353,043,000</u>

Note 15: Subsequent Events

Subsequent to October 31, 2002 and through January 3, 2003, in the course of the Corporation's normal business activities the following obligations of the Corporation have been issued:

Description	Date	Amount
2002 Series A Multi-Family Revenue Bonds (First Avenue Development) —Variable Rate Bonds maturing in 2035	11-13-02	\$44,000,000
2002 Series A & B(Federally Taxable) Multi-Family Mortgage Revenue Bonds (400 West 55 th Street Development) —Variable Rate Bonds maturing in 2035.....	12-18-02	65,000,000
2002 Series E-1, E-2 and F Multi-Family Housing Revenue Bonds	12-19-02	27,900,000
Total		\$136,900,000

In addition, due to the receipt of mortgage prepayments during October and November 2002, bonds payable totaling \$31,580,000 were called and retired subsequent to the fiscal year end through January 3, 2003.

New York City Housing Development Corporation

Other Information

October 31, 2002

Schedule 1:

The following schedule is being presented to provide detail information on a program basis for the owners of the Housing Revenue Bond program's obligations.

Housing Revenue Bond Program Schedule of Balance Sheet Information October 31, 2002 and 2001 (in thousands)

	2002	2001
ASSETS:		
Current Assets:		
Cash and investments	1,424	2,498
Mortgage loan receivable	41,257	32,744
Accrued interest receivable	4,981	3,973
Other receivables	64	22
Other assets	2	3
Total Current Assets	47,728	39,240
Noncurrent Assets:		
Cash and investments	309,307	261,447
Mortgage loan receivable	1,099,858	739,066
Unamortized issuance cost	8,756	5,302
Primary government/component unit receivable (payable)	(11,636)	(32,330)
Other assets	22,609	-
Total Noncurrent Assets	1,428,894	973,485
Total Assets	\$ 1,476,622	1,012,725
LIABILITIES:		
Current Liabilities:		
Bonds payable	76,695	63,460
Accrued interest payable	18,587	20,241
Accounts and other payables	-	2
Deferred fee and mortgage income	2	52
Due to the United States	1,447	2,522
Due to mortgagors	1,514	263
Total Current Liabilities	98,245	86,540
Noncurrent Liabilities:		
Bonds payable (including deferred bond refunding cost)	904,247	647,246
Discount on bonds payable	(712)	(966)
Payable to New York City	185,431	23,500
Deferred fee and mortgage income	15,538	14,008
Due to the United States	470	302
Due to mortgagors	2,293	4,478
Total Noncurrent Liabilities	1,107,267	688,568
Total Liabilities	\$ 1,205,512	775,108
NET ASSETS:		
Restricted	271,110	237,617
Total Net Assets	\$ 271,110	237,617
Total Liabilities and Net Assets	\$ 1,476,622	1,012,725

New York City Housing Development Corporation

Other Information

October 31, 2002

Schedule 1 (cont'd):

Housing Revenue Bond Program
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Fiscal Years ended October 31, 2002 and 2001 (in thousands)

	2002	2001
OPERATING REVENUES:		
Interest on loans	62,030	60,847
Fees and charges	5,599	2,146
Total Operating Revenues	\$ 67,629	62,993
OPERATING EXPENSES:		
Interest and amortization	41,680	39,148
Services of New York City	239	322
Trustee and other fees	57	99
Amortization of debt issuance costs	712	421
Total Operating Expenses	\$ 42,688	39,990
Operating Income	\$ 24,941	23,003
NONOPERATING REVENUES (EXPENSES):		
Earnings on investments	10,833	11,579
Nonoperating expenses	(30)	(49)
Total Nonoperating Revenues (Expenses)	\$ 10,803	11,530
Income before Distributions and Transfers	\$ 35,744	34,533
Operating transfers to Corporate Services Fund	(7,761)	(2,828)
Distributions	5,510	(9,502)
Change in Net Assets	\$ 33,493	22,203
Total net assets - beginning of year	237,617	215,414
Total Net Assets - End of Year	\$ 271,110	237,617

OTHER ACTIVITIES OF THE CORPORATION

The Corporation is engaged in the various activities and programs described below.

I. BOND PROGRAMS. The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. As of April 30, 2003, the Corporation had bonds and notes outstanding in the aggregate principal amount of \$3,102,972,343.99 for these purposes. All outstanding principal amounts of bonds and notes listed below are as of April 30, 2003 unless otherwise indicated. All of the projects financed by the Corporation have been completed and are in operation except where indicated below. None of the projects described below provide security under the General Resolution. In addition, none of the bonds described below is secured by the General Resolution.

A. Multi-Family Program. The Corporation established its Multi-Family Program to develop privately owned multi-family rental housing, all or a portion of which is reserved for low income tenants.

(1) Rental Projects; Letter of Credit Enhanced: Under its Multi-Family Program, the Corporation has issued tax-exempt and/or taxable bonds to finance a number of mixed income projects which bonds are secured by letters of credit issued by rated commercial lending institutions. On January 20, 1989, the Corporation issued its \$10,000,000 Variable Rate Demand Bonds (Upper Fifth Avenue Project), 1989 Series A, of which \$4,900,000 is outstanding, to finance a 151-unit project in Manhattan. On December 19, 2000, the Corporation issued its \$56,000,000 Multi-Family Mortgage Revenue Bonds (Related-15th Street Development), 2000 Series A, all of which are outstanding, to finance a 213-unit project in Manhattan which is presently under construction. On December 18, 2001, the Corporation issued its \$130,000,000 Multi-Family Mortgage Revenue Bonds (Related-West 55th Street Development), 2001 Series A and 2001 Series B, all of which are outstanding, to finance a 371-unit project in Manhattan which is presently under construction. On January 4, 2002, the Corporation issued its \$44,000,000 Multi-Family Mortgage Revenue Bonds (Ninth Avenue Development), 2002 Series A, all of which are outstanding, to finance a 259-unit development in Manhattan which is presently under construction. On May 15, 2002, the Corporation issued its \$86,900,000 Multi-Family Rental Housing Revenue Bonds (Chelsea Centro), 2002 Series A, of which \$86,000,000 is outstanding, to refinance a 356-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On December 18, 2002, the Corporation issued its \$65,000,000 Multi-Family Mortgage Revenue Bonds (400 West 55th Street Development), 2002 Series A and 2002 Series B, all of which are outstanding, to finance a 149-unit development in Manhattan which is presently under construction.

Under its Multi-Family Program, the Corporation has issued tax-exempt bonds to finance a number of entirely low income projects, which bonds are secured by letters of credit issued by rated commercial lending institutions. On June 28, 2001, the Corporation issued its \$7,000,000 Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 Series A, all of which are outstanding, to finance a 106-unit development in Bronx County. On November 21, 2001, the Corporation issued its \$7,500,000 Multi-Family Mortgage Revenue Bonds (Fountains at Spring Creek Project), 2001 Series A, all of which are outstanding, to finance a 102-unit development located in Brooklyn. On November 21, 2001, the Corporation issued its \$3,700,000 Multi-Family Mortgage Revenue Bonds (The Lafayette Project), 2001 Series A, all of which are outstanding, to finance a 47-unit development in Manhattan. On October 3,

2002, the Corporation issued its \$9,200,000 Multi-Family Mortgage Revenue Bonds (Nelson Avenue Apartments), 2002 Series A, all of which are outstanding, to finance a 115-unit development in Bronx County. All of these projects are presently under, or have recently completed, construction.

(2) Rental Projects; Fannie Mae Enhanced: Pursuant to its Multi-Family Program, the Corporation has issued tax-exempt and/or taxable bonds which are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under a Collateral Agreement. On March 29, 1995, the Corporation issued its \$23,570,000 Multi-Family Mortgage Revenue Bonds (Columbus Apartments Project), 1995 Series A, of which \$21,870,000 is outstanding, to refinance a 166-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$13,775,000 Multi-Family Rental Housing Revenue Bonds (Related-Columbus Green), 1997 Series A, all of which are outstanding, to refinance a 95-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$66,800,000 Multi-Family Rental Housing Revenue Bonds (Related-Carnegie Park), 1997 Series A, all of which are outstanding, to refinance a 461-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$104,600,000 Multi-Family Rental Housing Revenue Bonds (Related-Monterey), 1997 Series A, all of which are outstanding, to refinance a 522-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$55,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Tribeca Tower), 1997 Series A, all of which are outstanding, to refinance a 440-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On September 18, 1998, the Corporation issued its \$17,875,000 Multi-Family Rental Housing Revenue Bonds (100 Jane Street Development), 1998 Series A and 1998 Series B, of which \$16,975,000 is outstanding, to refinance a 148-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 22, 1998, the Corporation issued its \$37,315,000 Multi-Family Rental Housing Revenue Bonds (Parkgate Development), 1998 Series A and 1998 Series B, of which \$36,500,000 is outstanding, to refinance a 207-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On November 19, 1998, the Corporation issued its \$150,000,000 Multi-Family Rental Housing Revenue Bonds (One Columbus Place Development), 1998 Series A and 1998 Series B, of which \$144,800,000 is outstanding, to refinance a 729-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On April 6, 1999, the Corporation issued its \$55,820,000 Multi-Family Rental Housing Revenue Bonds (West 43rd Street Development), 1999 Series A and 1999 Series B, of which \$54,120,000 is outstanding, to refinance a 375-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On June 18, 1999, the Corporation issued its \$57,000,000 Multi-Family Rental Housing Revenue Bonds (Brittany Development), 1999 Series A, all of which are outstanding, to refinance a 272-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development.

In addition, the Corporation has issued tax-exempt bonds and/or taxable bonds which are secured by a Direct Pay Credit Enhancement Instrument issued by Fannie Mae. On March 2, 2000, the Corporation issued its \$53,000,000 Multi-Family Rental Housing Revenue Bonds (Related-West 89th Street Development), 2000 Series A, all of which are outstanding, to refinance a 265-unit building in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On July 11, 2001, the Corporation issued its \$22,500,000 Multi-Family Mortgage Revenue Bonds (West 48th Street Development), 2001 Series A and 2001 Series B, all of which are outstanding, to finance a 109-unit facility in Manhattan which is presently under construction. On November 1, 2001, the Corporation issued its \$91,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Lyric Development), 2001

Series A and 2001 Series B, of which \$90,700,000 is outstanding, to refinance a 285-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On July 12, 2002, the Corporation issued its \$22,200,000 Multi-Family Rental Housing Revenue Bonds (James Tower Development), 2002 Series A, all of which are outstanding, to refinance a 201-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On August 22, 2002, the Corporation issued its \$60,400,000 Multi-Family Rental Housing Revenue Bonds (The Foundry), 2002 Series A and 2002 Series B, all of which are outstanding, to refinance a 222-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On November 13, 2002, the Corporation issued its \$44,000,000 Multi-Family Mortgage Revenue Bonds (First Avenue Development), 2002 Series A, all of which are outstanding, to finance a 231-unit development in Manhattan which is presently under construction. On April 10, 2003, the Corporation issued its \$56,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Sierra Development), 2003 Series A, all of which are outstanding, to refinance a 212-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project.

(3) Rental Projects; Freddie Mac Enhanced: Under its Multi-Family Program, the Corporation has issued tax-exempt bonds which are secured by a Direct Pay Credit Enhancement Agreement with Federal Home Loan Mortgage Corporation. On June 7, 2000, the Corporation issued its \$24,200,000 Multi-Family Rental Housing Revenue Bonds (Westmont Apartments), 2000 Series A, all of which are outstanding, to refinance a 163-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On March 21, 2001, the Corporation issued its \$10,800,000 Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments), 2001 Series A, all of which are outstanding, to refinance a 296-unit development in Queens and to refund bonds previously issued by the Corporation to finance this development.

(4) Rental Projects; FHA Enhanced: Under its Multi-Family Program, the Corporation has issued bonds to finance a number of mixed income projects with mortgages insured by the Federal Housing Administration ("FHA"). See "FHA Insured Mortgage Loan Programs" below.

(5) Rental Project; REMIC Enhanced: Under its Multi-Family Program, the Corporation has issued tax-exempt bonds to finance a mortgage loan for a residential facility, which mortgage loan is insured by the New York City Residential Mortgage Insurance Corporation ("REMIC"), which is a subsidiary of the Corporation. On April 26, 1996, the Corporation issued its \$5,620,000 Multi-Family Mortgage Revenue Bonds (Barclay Avenue Development), 1996 Series A, of which \$5,365,000 is outstanding, to fund a REMIC-insured permanent mortgage loan for a 66-unit building located in Queens County.

(6) Hospital Staff Housing: Pursuant to its Multi-Family Program, the Corporation has provided financing for residential facilities for hospital staff. A multi-purpose facility for the benefit of The Society of the New York Hospital, located on the east side of Manhattan, was financed in 1985 by the Corporation. On April 17, 1998, the Corporation issued its \$103,300,000 MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties East, Inc. Project), 1998 Series 1, of which \$96,200,000 is outstanding, in order to refinance its outstanding bonds for this multipurpose facility. The payment of principal of and interest on the 1998 Series 1 Bonds is guaranteed by a municipal bond guaranty insurance policy issued by MBIA Insurance Corporation.

On March 19, 1993, the Corporation issued its \$36,600,000 Residential Revenue Bonds (East 17th Street Properties, Inc.), 1993 Series A, of which \$31,800,000 is outstanding, to provide a mortgage loan to East 17th Street Properties, Inc. (an affiliate of Beth Israel Medical Center) for two

residential housing facilities located in Manhattan. These bonds are secured by a letter of credit issued by a rated commercial lending institution. On June 17, 1993, the Corporation issued its \$8,400,000 Residential Revenue Bonds (Montefiore Medical Center Project), 1993 Series A, all of which are outstanding, to finance a mortgage loan made to Montefiore Medical Center for a residential housing facility in Bronx County. These bonds are secured by a letter of credit issued by a rated commercial lending institution.

(7) Cooperative Housing: Pursuant to the Corporation's Multi-Family Program, the Corporation has issued tax-exempt obligations in order to fund underlying mortgage loans to cooperative housing developments. On April 28, 1994, the Corporation issued its \$12,330,000 Mortgage Revenue Bonds (Maple Court Cooperative), 1994 Series A, of which \$11,465,000 is outstanding, to fund an underlying permanent mortgage loan for a 134-unit cooperative located in Manhattan. On December 19, 1996, the Corporation issued its \$16,750,000 Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, of which \$16,110,000 is outstanding, to fund an underlying permanent mortgage loan for a 154-unit cooperative located in Manhattan. Each mortgage loan is insured by the State of New York Mortgage Agency.

(8) Senior Housing: Pursuant to its Multi-Family Program, the Corporation has issued tax-exempt obligations to finance a mortgage loan for low-income senior housing. On December 20, 2000, the Corporation issued its \$6,100,000 Multi-Family Mortgage Revenue Bonds (55 Pierrepont Development), 2000 Series A, of which \$5,500,000 is outstanding, to fund a mortgage loan to acquire a 189-unit senior rental housing facility located in Brooklyn. These bonds are secured by a letter of credit issued by a rated commercial lending institution.

B. FHA Insured Mortgage Loan Programs. The Corporation is empowered to make loans secured by mortgages insured by the federal government for new construction and rehabilitation of multiple dwellings.

(1) On January 15, 1993, the Corporation issued its \$164,645,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1993 Series A and 1993 Series B, of which \$146,945,000 of the 1993 Series A bonds (and none of the 1993 Series B bonds) is outstanding, to acquire a defaulted FHA-insured mortgage loan for the Manhattan Park Project (also known as Roosevelt Island Northtown Phase II) from the United States Department of Housing and Urban Development. On January 17, 1995, the Corporation issued its taxable \$13,910,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1995 Series A, of which \$4,925,000 is outstanding, to refund a like amount of the 1993 Series B bonds. This 1,107-unit project receives Section 8 housing assistance payments, administered by the Corporation, for 222 units. This project was originally financed by bonds issued by the Corporation which have been redeemed.

(2) On December 27, 1993, the Corporation issued its \$141,735,000 Multi-Family Housing Revenue Bonds (FHA Insured Mortgage Loan-Manhattan West Development), 1993 Series A, all of which are outstanding, to finance a portion of an FHA-insured construction and permanent mortgage loan for the Manhattan West Development, a 1,000-unit mixed income project, located in Manhattan.

C. Section 223(f) Refinancing Program. The Corporation has the power to acquire mortgages originally made by the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of the sale of such mortgages or issuance of obligations to the City. Between 1977 and 1978, tax-exempt

obligations in the aggregate principal amount of \$379,884,800 were issued by the Corporation and secured by mortgage loans insured by FHA as described below.

The Corporation issued \$299,886,700 aggregate principal amount of its Multifamily Housing Limited Obligation Bonds (FHA Insured Mortgage Loans), in 58 series under a resolution adopted July 25, 1977, and issued \$79,998,100 aggregate principal amount of such bonds in 15 series under a second resolution adopted October 10, 1978, of which a combined total of \$267,287,343.99 is outstanding. Each series of such bonds is secured by a mortgage loan insured by FHA pursuant to Section 223(f) of the National Housing Act of 1934, as amended (the "National Housing Act"). Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act. The bonds, which are structured as modified pass-through obligations, were privately placed with certain savings institutions under bond purchase agreements dated as of August 11, 1977 and November 30, 1978, respectively, as amended. Two series of these bonds have been redeemed in full as a result of the prepayment in full of the mortgage loan securing the respective series.

On June 21, 1996, the Corporation commenced loan servicing of thirty-seven subordinate permanent mortgage loans with an aggregate outstanding principal balance of \$225,230,916.34. These subordinate permanent mortgage loans are held by State Street Bank and Trust Company as trustee for the NYC Mortgage Loan Trust. In the case of thirty-one of these mortgage loans, each such mortgage loan is subordinate to one of the FHA-insured mortgage loans which secure certain of the bonds issued by the Corporation under its Section 223(f) Refinancing Program.

II. DEVELOPMENT SERVICES PROGRAM. The Corporation commenced its Development Services Program in 1987, which program is funded by monies drawn from the Corporation's unrestricted reserves. The Development Services Program is comprised of eight subprograms: (1) the Construction Loan Program, (2) the Seed Money Loan Program, (3) the Project Management Program, (4) the Working Capital Loan Program, (5) the Tax Credit Bridge Loan Program, (6) the HPD Loan Servicing Program, (7) the Minority and Women-Owned Business Enterprise Working Capital Loan Program and (8) the Participation Loan Program. The subprograms that were active on April 30, 2003 are described below.

Neither the monies used to fund the Development Services Program nor the projects funded by the Development Services Program provide security under the Resolutions.

(1) Seed Money Loan Program. Pursuant to a Memorandum of Understanding ("MOU") with the City, acting through HPD, the Corporation has provided interim assistance in the form of an unsecured, interest-free loan to the Neighborhood Partnership Housing Development Fund Company, Inc., in the amount of \$2,250,000, to fund certain expenses associated with HPD's Neighborhood Entrepreneurs Program.

(2) Working Capital Loan Program. Pursuant to an MOU with the City, acting through HPD, the Corporation has agreed to provide up to \$8,100,000 to fund 87 interest-free Working Capital loans to not-for-profit sponsors of projects through HPD's Special Initiatives Program. The proceeds of such loans are used for rent-up expenses and initial operation costs of such projects.

(3) HPD Loan Servicing Program. The Corporation acts as loan servicer in connection with certain of HPD's construction and permanent housing loan programs pursuant to several

agreements with HPD. As of April 30, 2003, the Corporation was servicing construction and permanent loans in the approximate face amount of \$1,356,367,907.31.

(4) *Participation Loan Program.* The Corporation established a program to make mortgage loans for the rehabilitation of certain multiple dwelling projects pursuant to the provisions of Article XV of the New York Private Housing Finance Law. The projects funded under this program are selected by HPD. The Corporation's loan for each project is made in conjunction with a loan from a private lender.

III. AFFORDABLE HOUSING PERMANENT LOAN PROGRAM. The Corporation has established a program to make permanent mortgage loans for affordable housing projects. All of the mortgage loans under this program are expected to be financed by the proceeds of the 1997 Series C Bonds and/or other monies of the Corporation.

IV. NEW HOUSING OPPORTUNITIES PROGRAM (New HOP). The Corporation has established a program to make construction and permanent mortgage loans for developments intended to house low and moderate income tenants. The developments also receive subordinate loans from the Corporation. The first mortgage loans under this program are expected to be financed by the proceeds of obligations issued under the General Resolution, including the 1998 Series A Bonds, the 1998 Series B Bonds, the 1999 Series A Bonds, the 1999 Series B Bonds, the 1999 Series E Bonds, the 2000 Series B Bonds, the 2001 Series C Bonds, the 2002 Series A Bonds, the 2002 Series C Bonds and the 2002 Series E Bonds, and/or other monies of the Corporation.

**DEVELOPMENTS AND MORTGAGE LOANS
EXPECTED TO BE FINANCED IN CONNECTION WITH
THE ISSUANCE OF THE 2003 BONDS**

**DEVELOPMENTS AND MORTGAGE LOANS EXPECTED TO BE FINANCED
WITH THE PROCEEDS OF THE 2003 SERIES B BONDS***

Supple- mental Security	Subsidy Program	Development Name	Borough	Number of Units	Anticipated Construction Mortgage Loan Amount	Anticipated Permanent Mortgage Loan Amount	Expected Amount of 2003 Series B Mortgage Loan Mandatory Prepayment	Expected Construction Loan Interest Rate	Expected Permanent Mortgage Interest Rate	Expected Permanent Mortgage Term	Loan Status**	Expected Prepayment Category (see Appendix E-3)
N/A	LAMP	Dr. Betty Shabazz Houses	Brooklyn	160	\$7,400,000	\$7,000,000	\$400,000	4.480%	5.30%	30 years	1	35
N/A	LAMP	Medgar Evers Houses	Brooklyn	308	\$8,400,000	\$6,815,000	\$1,585,000	4.17%	5.30%	15 years	1	35
N/A	PLP/LAMP	1501 Pitkin Avenue	Brooklyn	84	\$6,200,000	\$3,040,000	\$3,160,000	3.43%	5.30%	30 years	2	35
N/A	LAMP/Certificate Program	1240 Washington Avenue	Bronx	100	\$8,500,000	\$5,025,000	\$3,475,000	3.66%	5.30%	30 years	2	35
N/A	LAMP	Clinton Parkview Apartments	Manhattan	96	\$12,200,000	\$11,295,000	\$905,000	4.43%	5.30%	30 years	2	35
TOTAL				748	\$42,700,000	\$33,175,000	\$9,525,000					

* All of the Developments are expected to utilize 2003 Series B Bond proceeds for a portion of construction and permanent financing; however, the Corporation may, in its sole discretion, substitute another Development. The Mortgage Loans expected to be financed with the proceeds of the 2003 Series B Bonds are not expected to be initially secured by supplemental security. However, the Corporation may, in the future, seek mortgage insurance from SONYMA or REMIC for certain of the Developments financed with the 2003 Series B Bonds which, if obtained, would be effective subsequent to completion of construction and rent-up of the applicable Development. See "PLAN OF FINANCING--2003 Series B Mortgage Loans" herein. In addition, all of the Developments are expected to be newly constructed. It is anticipated that the Permanent Mortgage Loans will be made within the next twenty-seven (27) months.

** Loan Status: 1 = Under review by the Corporation, commitment pending; 2 = Commitment executed.

**DEVELOPMENT AND MORTGAGE LOAN EXPECTED TO BE FINANCED
WITH THE PROCEEDS OF THE 2003 SERIES C BONDS**

Supple- mental Security	Subsidy Program	Development Name	Borough	No. of Units	Occupancy Rate (as of March 31, 2003)	Mortgage Amount*	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity*	Payment Category (see Appendix E-3)	Physical Inspection**
N/A	HAC	Upper Fifth Avenue	Manhattan	151	99%	\$4,900,000	4.00%	12/01/91	01/01/16	36	S

* Anticipated mortgage amount and final mortgage maturity, as the case may be, upon issuance of the 2003 Series C Bonds.

** Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

**DEVELOPMENTS AND PERMANENT MORTGAGE LOANS EXPECTED TO BE FINANCED
WITH THE PROCEEDS OF THE 2003 SERIES D BONDS**

2003 SERIES D PURCHASED MORTGAGE LOANS*

Supplemental Security	Subsidy Program(s)	Number of Mortgage Loans	Number of Units	Aggregate Outstanding Mortgage Balance	Weighted Average Mortgage Interest Rate	Weighted Average Remaining Time to Maturity	Prepayment Category (see Appendix E-3)
N/A	Article 8-A	157**	9,852	\$35,870,856	3.00%	15.9 years	31
N/A	Article 8-A	94***	9,164	\$26,550,542	2.50%	17.0 years	37
N/A	PLP	63****	2,750	\$59,997,824	1.00%	20.2 years	31
TOTAL		314	21,766	\$122,419,222	1.91%	18.2 years	

* The 2003 Series D Purchased Mortgage Loans are evidenced by a 100% participation interest in the underlying 2003 Series D Purchased Mortgage Loans. Over two-thirds of the underlying 2003 Series D Purchased Mortgage Loans by aggregate outstanding mortgage balance are self-amortizing. Information contained in this chart is as of February 28, 2003 except as otherwise noted. See "PLAN OF FINANCING—2003 Series D Mortgage Loans" herein.

** These include seven (7) underlying 2003 Series D Purchased Mortgage Loans qualified as eligible for inclusion in the financing for the 2003 Series D Bonds subsequent to February 28, 2003 with an aggregate outstanding mortgage balance of \$5,731,174 as of May 31, 2003.

*** These include four (4) underlying 2003 Series D Purchased Mortgage Loans qualified as eligible for inclusion in the financing for the 2003 Series D Bonds subsequent to February 28, 2003 with an aggregate outstanding mortgage balance of \$540,729 as of May 31, 2003.

**** These include ten (10) underlying 2003 Series D Purchased Mortgage Loans qualified as eligible for inclusion in the financing for the 2003 Series D Bonds subsequent to February 28, 2003, seven (7) of such underlying 2003 Series D Purchased Mortgage Loans with an aggregate outstanding mortgage balance of \$2,530,708 as of April 30, 2003 and three (3) of such underlying 2003 Series D Purchased Mortgage Loans with an aggregate outstanding mortgage balance of \$597,424 as of May 31, 2003.

**DEVELOPMENTS AND PERMANENT MORTGAGE LOANS EXPECTED TO BE FINANCED
WITH THE PROCEEDS OF THE 2003 SERIES D BONDS
AS OF APRIL 16, 2003**

2003 SERIES D TRUST MORTGAGE LOANS*

Supplemental Security	Subsidy Program(s)	Number of Mortgage Loans	Number of Units	Aggregate Outstanding Mortgage Balance	Weighted Average Mortgage Interest Rate	Weighted Average Remaining Time to Maturity	Prepayment Category (see Appendix E-3)
N/A	Article 8-A	16	7,175	\$7,494,645	2.08%	8.0 years	37

* The 2003 Series D Trust Mortgage Loans are evidenced by a 100% participation interest in a portion of the cash flow derived from the \$207,405,653 principal amount outstanding, as of May 27, 2003, of the Class B-1 Sheridan Trust II, Multifamily Mortgage Pass-Through Certificate, Series 1996M-1 (the "Class B-1 Sheridan Trust II Certificate") which certificate evidences a beneficial ownership interest in the Class B Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995M-1 which certificate, in turn, represents a beneficial ownership interest in the underlying 2003 Series D Trust Mortgage Loans. The Class B-1 Sheridan Trust II Certificate is subordinate in right of payment to the \$4,387,690 principal amount outstanding, as of May 27, 2003, of the Class A-1 Sheridan Trust II, Multifamily Mortgage Pass-Through Certificate, Series 1996-M1 (the "Class A-1 Sheridan Trust II Certificate") and is also subordinate in right of payment to the \$58,885,279 principal amount outstanding, as of May 27, 2003, of the Class A Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995-M1 (the "Class A Sheridan Trust Certificate"). The cash flow on the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate is based on the weighted average mortgage rate on the underlying 2003 Series D Trust Mortgage Loans and certain other mortgage loans (net of servicing and trustee fees) with respect to the aggregate principal amount outstanding of the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate, as the case may be. Based upon projected cash flows prepared in June 2003 in connection with the issuance of the 2003 Series D Bonds, it is presently anticipated that payments on the Class B-1 Sheridan Trust II Certificate, which cannot begin until all payments are made on the Class A Sheridan Trust Certificate and the Class A-1 Sheridan Trust II Certificate, will begin to be made in March 2007; however, the Corporation can give no assurance as to when such payments will actually begin. All of the underlying 2003 Series D Mortgage Loans are self-amortizing. See "PLAN OF FINANCING—2003 Series D Mortgage Loans" herein.

DEVELOPMENTS AND MORTGAGE LOANS OUTSTANDING UNDER THE PROGRAM

DEVELOPMENTS AND PERMANENT MORTGAGE LOANS
OUTSTANDING UNDER THE PROGRAM
AS OF MARCH 31, 2003

Supplemental Security	Subsidy Program(s) [†]	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ §236 Contract Expiration Date ^{†††}	Payment Category (see Appendix E-3)	Physical Inspection ^{††††}
FHA 220	Section 8	Caparra La Nueva	2003 Series A	Manhattan	83	96%	\$5,343,302.06	\$5,908,800	9.70%	11/26/85	8/01/25	6/21/05	4	SUP
FHA 220	Section 8	Charles Hill Towers	2003 Series A	Manhattan	101	94%	\$6,783,306.04	\$7,373,200	10.36%	9/03/85	1/01/26	6/27/05	5	S
FHA 220	Section 8	Cooper Square Site 1B	2003 Series A	Manhattan	145	100%	\$9,676,135.19	\$10,678,100	9.70%	9/13/85	10/01/25	6/24/05	4	S
FHA 220	Section 8	Ennis Francis Houses	2003 Series A	Manhattan	230	94%	\$15,218,245.95	\$16,794,100	9.70%	9/19/85	10/01/25	10/15/04 4/22/05	4	BA
FHA 220	Section 8	Hamilton Heights Terrace ^{††}	2003 Series A	Manhattan	131	99%	\$7,784,407.91	\$8,654,300	9.70%	4/26/85	3/01/25	12/14/04	4	S
FHA 220	Section 8	James Alston House	2003 Series A	Bronx	64	95%	\$4,118,402.09	\$4,510,200	10.36%	2/08/85	5/01/25	11/20/04	5	S
FHA 220	Section 8	Lexington Gardens ^{†††}	2003 Series A	Manhattan	107	100%	\$7,009,400.79	\$7,749,800	9.70%	9/03/86	5/01/25	6/18/05 3/10/06	4	S
FHA 220	Section 8	McGee Hill Apartments	2003 Series A	Bronx	58	97%	\$3,101,522.10	\$3,677,200	10.36%	10/30/84	3/01/25	12/01/04	5	BA
FHA 220	Section 8	McKinley Manor Apartments	2003 Series A	Bronx	59	98%	\$3,413,376.80	\$3,738,100	10.36%	9/06/85	5/01/25	11/09/04	5	S
FHA 220	Section 8	Metro North Court	2003 Series A	Manhattan	90	97%	\$5,520,230.53	\$6,063,300	10.36%	3/04/86	2/01/25	4/01/05	5	S
FHA 220	Section 8	Rainbow Plaza	2003 Series A	Bronx	126	100%	\$8,383,404.21	\$9,088,200	10.36%	6/25/86	4/01/26	1/21/06	5	S
FHA 220	Section 8	Revive 103 Apartments	2003 Series A	Manhattan	59	97%	\$3,965,410.18	\$4,318,100	10.36%	7/05/85	11/01/25	7/16/05	5	BA
FHA 220	Section 8	Thessalonica Court	2003 Series A	Bronx	190	97%	\$12,755,255.52	\$13,940,000	9.90%	5/12/86	4/01/26	1/17/06	4	BA
FHA 220	Section 8	Villa Alejandrina	2003 Series A	Bronx	70	99%	\$3,657,117.37	\$4,084,600	9.70%	1/31/84	11/01/24	2/14/04	4	S

[†] Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

^{††} Subsequent to March 31, 2003, the Corporation has been notified that the Mortgagor of this Development intends to prepay this Mortgage Loan in June 2003; however, the Corporation can give no assurance as to whether such prepayment will occur and, if it occurs, when such prepayment will be made.

^{†††} Subsequent to March 31, 2003, the Mortgagor of this Development prepaid this Mortgage Loan.

^{††††} Where there is more than one expiration date, the Development was completed in two or more stages.

^{†††††} Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s) [†]	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ § 236 Contract Expiration Date ^{†††}	Prepayment Category (see Appendix E-3)	Physical Inspection ^{††††}
FHA 220	Section 8	Will' A View Apartments ^{††}	2003 Series A	Manhattan	54	100%	\$3,468,593.89	\$3,777,300	10.36%	11/04/85	10/01/25	7/19/05	5	S
FHA 221(d)(3)-FAF	Section 8	Fulton Park Sites 7 & 8	2003 Series A	Brooklyn	208	99%	\$12,426,650.68	\$13,780,700	9.70%	2/04/86	4/01/25	12/19/04 2/18/05	2	S
FHA 221(d)(4)	Section 8	Boro Park Courts	2003 Series A	Brooklyn	130	98%	\$7,107,380.43	\$8,459,100	9.90%	8/09/85	11/01/25	6/25/05 8/19/05	2	BA
FHA 221(d)(4)	Section 8	Brookhaven I	2003 Series A	Bronx	94	99%	\$5,091,944.44	\$5,673,500	9.70%	6/25/85	1/01/25	3/01/05	2	BA
FHA 221(d)(4)	Section 8	Clinton Arms	2003 Series A	Bronx	85	96%	\$4,540,333.49	\$4,962,700	10.36%	7/25/85	7/01/25	11/09/04	3	S
FHA 221(d)(4)	Section 8	Crown Heights Development I	2003 Series A	Brooklyn	35	97%	\$2,012,289.59	\$2,197,400	10.36%	1/21/85	8/01/25	11/26/04	3	S
FHA 221(d)(4)	Section 8	Crown Heights Development II	2003 Series A	Brooklyn	31	97%	\$1,597,724.26	\$1,744,700	10.36%	10/04/84	8/01/25	10/05/04	3	S
FHA 221(d)(4)	Section 8	Felisa Rincon De Gautier Houses	2003 Series A	Bronx	108	95%	\$6,775,798.32	\$7,420,400	10.36%	12/31/84	5/01/25	1/16/05	3	SUP
FHA 221(d)(4)	Section 8	La Cabana Houses	2003 Series A	Brooklyn	166	99%	\$8,675,488.92	\$9,603,700	9.70%	10/08/85	7/01/25	1/25/05 3/05/05 3/28/05	2	SUP
FHA 221(d)(4)	Section 8	President Arms ^{†††}	2003 Series A	Brooklyn	31	100%	\$1,032,273.28	\$1,326,500	7.50%	12/23/81	11/01/20	7/31/03	1	BA

[†] Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

^{††} The Corporation has been notified that the Mortgagor of this Development intends to prepay this Mortgage Loan; however, the Corporation can give no assurance as to whether such prepayment will occur and, if it occurs, when such prepayment will be made.

^{†††} The Corporation has been notified that the Mortgagor of this Development is in the process of restructuring this Mortgage Loan, which is anticipated to occur on or about July 31, 2003, and that a reduction in HAP Contract payments has occurred under the HUD "Mark-to-Market" program; however, the Corporation can give no assurance as to whether such restructuring (including the possible prepayment of this Mortgage Loan) will occur and, if either such restructuring or prepayment occurs, when such restructuring will occur or when such prepayment will be made (see "THE PROGRAM—Certain Factors Affecting the Mortgage Loans—Section 8 Legislation").

^{††††} Where there is more than one expiration date, the Development was completed in two or more stages.

^{†††††} Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s) †	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/§236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection †††
FHA 221(d)(4)	Section 8	Prospect Arms ††	2003 Series A	Brooklyn	90	90%	\$2,756,725.75	\$3,505,700	7.50%	12/23/81	4/01/21	6/30/03	1	U
FHA 221(d)(4)	Section 8	Target V Phase I †††	2003 Series A	Bronx	82	91%	\$5,145,175.99	\$5,552,100	10.36%	2/27/86	2/01/26	11/29/05	3	U
FHA 221(d)(4)	Section 8	Washington Plaza	2003 Series A	Bronx	74	97%	\$4,510,285.22	\$4,954,000	10.36%	2/08/85	2/01/25	11/06/04	3	S
FHA 221(d)(4)	Section 8	Woodycrest Courts II	2003 Series A	Bronx	57	100%	\$2,893,161.71	\$3,199,800	9.90%	12/10/84	4/01/25	6/25/04	2	SUP
FHA 221(d)(4)	Section 8	1650 President Street	2003 Series A	Brooklyn	47	100%	\$1,632,390.92	\$2,411,200	7.50%	8/17/81	8/01/21	5/30/06	1	S
FHA 221(d)(4)	HoDAG	285 Development	1995 Series A	Brooklyn	58	95%	\$1,471,295.14	\$1,800,000	10.30%	10/22/86	12/01/17	N/A	6	S
FHA 221(d)(4)	HoDAG/PLP	Artist's Housing 1220 Grand Concourse	1997 Series A	Bronx	23	100%	\$355,850.33	\$474,900	10.25%	9/27/89	6/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	Revive 103 North 155-61 East 103rd Street	1997 Series A	Manhattan	30	97%	\$575,914.69	\$978,600	10.25%	4/27/89	8/01/19	N/A	13	U
FHA 221(d)(4)	HoDAG/PLP	Robin Housing 1197 & 1250 Grand Concourse	1997 Series A	Bronx	101	98%	\$1,405,521.88	\$1,883,100	10.25%	4/11/89	8/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	Willoughby/Wyckoff Apartments	1997 Series A	Brooklyn	68	93%	\$1,101,244.80	\$1,459,900	7.00%	5/08/91	6/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	79-95 Woodruff Avenue	1997 Series A	Brooklyn	84	100%	\$1,104,157.06	\$1,463,700	10.25%	11/01/90	6/01/18	N/A	13	U
FHA 221(d)(4)	HoDAG/PLP	1290 & 1326 Grand Concourse	1997 Series A	Bronx	104	98%	\$1,835,482.21	\$2,412,200	10.25%	4/14/89	6/01/18	N/A	13	BA

† Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

†† The Corporation has been notified that the Mortgagor of this Development is in the process of restructuring this Mortgage Loan, which is anticipated to occur on or about June 27 2003, and that a reduction in HAP Contract payments has occurred under the HUD "Mark-to-Market" program; however, the Corporation can give no assurance as to whether such restructuring (including the possible prepayment of this Mortgage Loan) will occur and, if either such restructuring or prepayment occurs, when such restructuring will occur or when such prepayment will be made (see "THE PROGRAM—Certain Factors Affecting the Mortgage Loans—Section 8 Legislation").

††† The Mortgagor of this Development has not made principal, certain interest payments and certain other required payments under its Mortgage Loan since November 15, 2002 resulting in a default under the Mortgage Loan; assignment of the Mortgage Loan to FHA for payment of FHA Insurance benefits is pending (see "THE PROGRAM—Mortgage Loans with Current Financial Difficulties").

†††† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ §236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection ^{†††}
FHA 223(f)	Section 236	Atlantic Terminal 2C [†]	2001 Series B	Brooklyn	201	98%	\$3,644,305.15	\$4,677,500	8.50%	11/01/76	9/01/19	8/16/19	10	S
FHA 223(f)	Section 236	Atlantic Terminal 4A [†]	2001 Series B	Brooklyn	305	99%	\$5,414,379.20	\$6,949,400	8.50%	8/16/79	9/01/19	8/16/19	10	BA
FHA 223(f)	Section 236	Confucius Plaza [†]	2001 Series B	Manhattan	760	99%	\$17,740,659.52	\$23,390,400	8.50%	2/10/78	10/01/18	9/15/18	10	S
FHA 223(f)	Section 236	Goodwill Terrace [†]	2001 Series B	Queens	208	99%	\$2,803,026.44	\$3,606,100	8.50%	5/10/72	8/01/19	7/31/19	10	BA
FHA 223(f)	Section 236	Land's End I [†]	2001 Series B	Manhattan	252	98%	\$5,604,222.66	\$7,226,800	8.50%	10/20/78	7/01/19	6/28/19	10	BA
FHA 223(f)	Section 236	North Shore Plaza ^{†, ††}	2001 Series B	Staten Island	536	95%	\$13,807,521.93	\$17,156,100	8.50%	3/08/79	8/01/19	7/10/19	10	BA
FHA 223(f)	Section 236	Tower West [†]	2001 Series B	Manhattan	217	99%	\$3,106,174.56	\$3,996,100	8.50%	12/15/71	8/01/19	7/11/19	10	SUP
FHA 223(f)	Section 236	1199 Plaza [†]	2001 Series B	Manhattan	1,594	99%	\$30,278,059.27	\$39,920,500	8.50%	2/06/76	10/01/18	9/20/18	10	BA
SONYMA	PLP	Allerton Coops	1995 Series A	Bronx	698	99%	\$2,270,044.31	\$6,094,365	8.875%	2/29/88	5/01/07	N/A	8	U
SONYMA	PLP	Met Houses III	1995 Series A	Queens	468	99%	\$1,593,177.51	\$5,432,051	8.875%	9/30/87	4/01/06	N/A	8	S
SONYMA	PLP	White Star Houses	1995 Series A	Manhattan	52	96%	\$137,830.02	\$549,147	8.875%	9/23/87	10/01/05	N/A	8	S
SONYMA	PLP	217 Ocean Avenue	1995 Series A	Brooklyn	49	100%	\$143,117.64	\$499,765	8.875%	6/30/87	4/01/06	N/A	8	S
SONYMA	GML Article 16/New HOP	Central Harlem Plaza	1999 Series A	Manhattan	241	99%	\$31,296,844.51	\$31,615,000	6.65%	10/25/01	11/01/36	N/A	20	N/A
SONYMA	New HOP	de Sales Assisted Living Project	1998 Series B	Manhattan	127	98%	\$20,251,362.02	\$20,665,000	5.30%	1/19/01	10/01/31	N/A	18	SUP

[†] The Mortgagor of this Development is regulated by HPD pursuant to the Mitchell-Lama Law.

^{††} As of March 31, 2003, the Mortgagor of this Development had not made principal, certain interest payments and certain other required payments under its Mortgage Loan since November 1, 2001; however, subsequent to March 31, 2003, said Mortgagor made all such payments and is now current on its Mortgage Loan.

^{†††} Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ \$236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection ^{†††}
REMIC [†]	New HOP	39-07 208th Street	1998 Series A	Queens	26	98%	\$1,878,609.06	\$2,092,000	7.50%	11/27/98	4/01/29	N/A	17	S
REMIC ^{††}	New HOP	58-12 Queens Boulevard	1998 Series A 2000 Series B	Queens	122	98%	\$11,504,474.62 \$985,200.67	\$11,825,000 \$1,000,000	7.50% 9.00%	6/01/99	6/01/30	N/A	17	S
REMIC ^{††}	New HOP	65-84 & 66-08 Austin Street	1998 Series A	Queens	132	100%	\$11,685,602.05	\$12,000,000	7.50%	5/04/00	7/01/30	N/A	17	S
REMIC [†]	New HOP	79 Clifton Place	1998 Series A	Brooklyn	40	98%	\$3,614,031.51	\$3,800,000	7.50%	8/09/00	12/01/30	N/A	17	S
REMIC [†]	New HOP	136-43 37th Avenue	1998 Series A	Queens	60	95%	\$6,408,282.00	\$6,685,000	7.50%	10/29/98	3/01/29	N/A	17	S
REMIC [†]	New HOP	287 Prospect Avenue	1998 Series A	Brooklyn	52	100%	\$4,548,507.93	\$4,740,000	7.50%	11/25/98	4/01/29	N/A	17	S
REMIC ^{††}	New HOP	421 DeGraw Street	1998 Series A	Brooklyn	90	99%	\$7,254,644.12	\$7,713,000	7.50%	10/01/99	4/01/30	N/A	17	S
REMIC [†]	New HOP	471 Vanderbilt Avenue	1998 Series A	Brooklyn	26	100%	\$2,223,555.02	\$2,330,000	7.50%	11/01/99	4/01/30	N/A	17	SUP
REMIC ^{††}	New HOP	3310-22 Palmer Avenue	1998 Series A	Bronx	135	99%	\$11,858,233.07	\$12,100,000	7.50%	6/29/00	11/01/30	N/A	17	S
REMIC ^{††}	New HOP	167 Clermont Avenue	1999 Series A	Brooklyn	110	100%	\$9,893,674.95	\$10,340,000	7.50%	9/21/00	11/01/30	N/A	19	S
REMIC ^{††}	New HOP	597 Grand Avenue	1999 Series A	Brooklyn	52	98%	\$3,457,642.65	\$3,617,000	7.50%	6/29/00	11/01/30	N/A	19	S
REMIC ^{††}	New HOP	3815 Putnam Avenue	1999 Series A/ 2002 Series C	Bronx	91	100%	\$8,277,656.99	\$8,290,000	7.50%	10/11/02	1/01/33	N/A	19	SUP
REMIC [†]	New HOP	Triangle Court Phase I	1999 Series B/ 2000 Series B	Manhattan	51	100%	\$3,701,012.72	\$3,820,000	7.58%	10/21/00	12/01/30	N/A	19	S
REMIC ^{††}	New HOP	Triangle Court Phase II	2000 Series B	Manhattan	40	100%	\$3,412,479.69	\$3,440,000	8.51%	7/24/02	8/01/27	N/A	25	S
REMIC ^{††}	New HOP	32-08 Union Street	1999 Series B	Queens	25	100%	\$2,703,948.27	\$2,770,000	8.00%	6/08/00	7/01/30	N/A	19	S
REMIC ^{††}	New HOP	137-02 Northern Boulevard	1999 Series B	Queens	71	100%	\$7,074,715.46	\$7,200,000	8.00%	1/23/01	3/01/31	N/A	19	SUP
REMIC ^{††}	New HOP	139 Emerson Place	1999 Series B	Brooklyn	50	100%	\$3,863,956.38	\$4,000,000	8.00%	8/10/00	12/01/30	N/A	19	S
REMIC ^{††}	New HOP	140-26 Franklin Avenue	1999 Series B 2000 Series B	Queens	54	100%	\$5,111,782.50 \$257,433.61	\$5,190,000 \$261,000	8.00% 8.50%	4/14/01	6/01/31	N/A	19	S
REMIC ^{††}	New HOP	349-53 East 4 th Street	1999 Series B	Manhattan	33	100%	\$3,408,417.30	\$3,460,000	8.00%	2/22/02	6/01/31	N/A	19	S
REMIC ^{††}	New HOP	390-96 East 8 th Street	1999 Series B/ 2000 Series B	Manhattan	38	100%	\$3,953,536.57	\$4,047,000	8.06%	5/15/01	8/31/31	N/A	19	S
REMIC ^{††}	New HOP	Harlem Gateway	2000 Series B/ 2002 Series C	Manhattan	50	100%	\$4,552,263.72	\$4,570,000	8.73%	8/01/02	12/01/27	N/A	25	N/A
REMIC ^{††}	New HOP	50 Greene Avenue	2000 Series B	Brooklyn	39	100%	\$3,558,954.04	\$3,619,000	9.00%	3/26/02	4/01/32	N/A	25	S
REMIC ^{††}	New HOP	136-14 Northern Boulevard	2000 Series B	Queens	60	98%	\$6,930,948.92	\$7,000,000	9.00%	3/26/02	4/01/32	N/A	25	SUP
REMIC ^{††}	New HOP	800 Bergen Street	2000 Series B	Brooklyn	32	100%	\$1,560,204.79	\$1,570,000	9.00%	8/15/01	4/01/32	N/A	25	BA
REMIC ^{††}	New HOP	14-56 31st Drive	2002 Series C	Queens	60	100%	\$7,362,724.15	\$7,400,000	7.75%	4/24/02	8/01/32	N/A	15	N/A
REMIC ^{††}	New HOP	99-22 67 th Road	2002 Series C	Queens	29	100%	\$3,362,814.51	\$3,390,000	7.75%	1/20/02	4/01/32	N/A	15	S

[†] REMIC Insurance secures twenty-five percent (25%) of the original principal amount of the Mortgage Loan for this Development.

^{††} REMIC Insurance secures twenty percent (20%) of the original principal amount of the Mortgage Loan for this Development.

^{†††} Physical inspection secures determined by the Corporation are as follows: SUP=superior; S=satisfactory; BA=below average; and U=unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ \$236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection ^{†††}
GNMA	HAC	United Help/Selfhelp Sheltered Extension (a/k/a Scheuer House of Flushing) [†]	1995 Series A	Queens	155	99%	\$9,898,873.82	\$13,229,700	7.50%	3/20/90	2/01/16	2/01/16	7	SUP
GNMA	HAC	1010 Development ^{†††}	1995 Series A	Brooklyn	16	100%	\$664,197.28	\$919,800	9.18%	7/01/86	1/01/15	1/01/15	7	S
GNMA	HAC	2051 Grand Concourse [†]	1997 Series A	Bronx	63	99%	\$3,581,563.12	\$4,450,000	8.94%	3/08/89	8/01/18	8/01/18	13	S
N/A	PLP	Fifth Avenue Corridor	1994 Series A	Brooklyn	36	94%	\$546,197.91	\$631,000	8.95%	6/11/96	11/01/16	N/A	9	S
N/A	PLP	Van Buren Street	1994 Series A	Brooklyn	65	98%	\$430,894.98	\$502,500	8.95%	11/26/96	9/01/16	N/A	9	SUP
N/A	PLP	1/5/7 West 137 th Street	1994 Series A	Manhattan	51	98%	\$506,489.65	\$602,000	8.95%	10/26/95	9/01/16	N/A	9	S
N/A	PLP	9 West 137th Street	1994 Series A	Manhattan	17	98%	\$194,769.19	\$270,329	8.95%	11/02/95	9/01/11	N/A	9	S
N/A	PLP	110 West 111th Street & 245 W. 113th Street	1994 Series A	Manhattan	48	98%	\$414,042.77	\$550,080	8.95%	12/09/96	4/01/12	N/A	9	S
N/A	PLP	302-06 Willis Avenue	1994 Series A	Bronx	35	97%	\$285,715.64	\$373,000	8.95%	2/10/97	7/10/12	N/A	9	S
N/A	PLP	480 Nostrand Avenue	1994 Series A	Brooklyn	25	96%	\$176,541.83	\$250,000	8.95%	11/11/95	6/01/11	N/A	9	S
N/A	PLP	591 East 165 th Street	1994 Series A	Bronx	30	100%	\$179,547.95	\$239,400	8.95%	6/09/95	10/01/14	N/A	9	S
N/A	PLP	651 Southern Boulevard	1994 Series A	Bronx	41	98%	\$142,496.96	\$167,250	8.95%	2/12/97	7/01/16	N/A	9	S
N/A	PLP	675 Coster Street	1994 Series A	Bronx	33	100%	\$206,883.85	\$297,823	8.95%	6/06/94	8/01/11	N/A	9	S
N/A	PLP	753, 759, 763 & 787 Greene Avenue	1994 Series A	Brooklyn	41	98%	\$119,961.89	\$164,000	8.75%	9/14/95	12/01/11	N/A	9	BA
N/A	PLP	889 & 890 Dawson Street	1994 Series A	Bronx	96	99%	\$1,033,735.47	\$1,120,000	8.95%	3/15/93	3/01/25	N/A	9	S
N/A	PLP	988 & 992 Boston Road	1994 Series A	Bronx	31	97%	\$89,053.60	\$122,800	8.95%	12/08/95	11/01/11	N/A	9	S

[†] The Corporation does not service the Mortgage Loan related to this Development.

^{††} The Corporation has been notified that the Mortgagor of this Development intends to prepay this Mortgage Loan, which is anticipated to occur in July 2003. However, the Corporation can give no assurance as to whether such prepayment will occur and, if it occurs, when such prepayment will be made.

^{†††} Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ \$236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection †
N/A	PLP	1038, 1051, 1057, 1058, 1061, 1063-65 & 1077 Boston Road	1994 Series A	Bronx	149	99%	\$625,687.24	\$911,334	8.95%	10/01/92	2/01/11	N/A	9	S
N/A	PLP	5201 Snyder Avenue	1994 Series A	Brooklyn	32	100%	\$215,327.43	\$318,278	8.95%	7/13/95	12/01/10	N/A	9	BA
N/A	PLP	55 West 129th Street	1997 Series B	Manhattan	36	97%	\$1,646,882.47	\$1,818,000	3.00% (years 1-20) 1.00% (years 21-30)	9/10/98	12/01/28	N/A	14	S
N/A	PLP	55 East 130th Street	1997 Series B	Manhattan	25	100%	\$914,892.20	\$968,000	3.00% (years 1-20) 1.00% (years 21-30)	10/09/98	3/01/30	N/A	14	S
N/A	PLP	117-19 East 115th Street	1997 Series B	Manhattan	54	100%	\$2,438,523.50	\$2,635,000	3.00% (years 1-20) 1.00% (years 21-30)	8/17/98	5/01/29	N/A	14	S
N/A	PLP	144 West 144th Street	1997 Series B	Manhattan	16	100%	\$618,898.09	\$675,000	3.00% (years 1-20) 1.00% (years 21-30)	1/20/99	2/01/29	N/A	14	S
N/A	PLP	216 & 224 West 141 st Street	1997 Series B	Manhattan	31	94%	\$1,221,392.28	\$1,342,000	3.00% (years 1-20) 1.00% (years 21-30)	2/11/98	5/01/28	N/A	14	S
N/A	PLP	500 Nostrand Avenue	1997 Series B	Brooklyn	46	96%	\$2,897,095.06	\$3,212,000	3.31%	7/21/99	10/01/29	N/A	14	S
N/A	PLP	542-48 West 149th Street	1997 Series B	Manhattan	36	100%	\$1,511,322.93	\$1,659,000	3.00% (years 1-20) 1.00% (years 21-30)	1/14/99	2/01/29	N/A	14	S
N/A	PLP	1120-22 Madison Street	1997 Series B	Brooklyn	16	100%	\$623,463.69	\$670,000	3.00% (years 1-20) 1.00% (years 21-30)	10/29/98	1/01/30	N/A	14	S
N/A	PLP	Clarkson Gardens	1997 Series C	Brooklyn	105	98%	\$1,565,866.19	\$2,000,000	7.65%	1/10/92	11/01/15	N/A	15	S
N/A	PLP	21-23 East 104th Street	1997 Series C	Manhattan	70	99%	\$1,016,180.41	\$1,144,000	6.92%	9/29/97	5/01/18	N/A	15	S

† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ §236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection †
N/A	PLP	36 West 131st Street	1997 Series C	Manhattan	14	79%	\$393,932.58	\$430,885	7.50%	2/17/00	4/01/18	N/A	15	S
N/A	PLP	54 Vermilyea Avenue	1997 Series C	Manhattan	20	100%	\$198,428.94	\$233,075	6.95%	6/19/97	4/01/17	N/A	15	S
N/A	PLP	128-36 Edgecombe Avenue	1997 Series C	Manhattan	67	97%	\$900,469.49	\$1,000,000	8.00%	5/23/95	9/01/23	N/A	15	S
N/A	PLP	171 Rockaway Boulevard	1997 Series C	Brooklyn	44	98%	\$77,175.85	\$98,000	8.95%	12/03/96	12/01/12	N/A	15	S
N/A	PLP	201 Pulaski Street & 305 Franklin Avenue	1997 Series C	Brooklyn	17	100%	\$558,105.76	\$590,712	7.21%	11/30/98	2/01/29	N/A	15	S
N/A	PLP	201 West 144th Street, 216 West 116th Street & 234 Bradhurst Avenue	1997 Series C	Manhattan	63	97%	\$849,223.46	\$959,444	7.55%	7/17/95	8/01/14	N/A	15	S
N/A	PLP	205-13 West 145th Street	1997 Series C	Manhattan	62	100%	\$1,393,985.51	\$1,512,431	8.95%	1/05/98	10/01/20	N/A	15	BA
N/A	PLP	236 Greene Avenue	1997 Series C	Brooklyn	16	100%	\$598,221.55	\$645,124	7.25%	7/22/97	3/01/25	N/A	15	S
N/A	PLP	240 East 175th Street	1997 Series C	Bronx	117	99%	\$592,525.60	\$963,750	8.56%	6/05/95	6/01/07	N/A	16	S
N/A	PLP	243-45 & 247-49 13th Street	1997 Series C	Brooklyn	50	100%	\$623,773.86	\$749,771	6.81%	1/05/98	4/01/14	N/A	15	S
N/A	PLP	253-57 West 152nd Street & 57-60 Macombs Place	1997 Series C	Manhattan	58	100%	\$905,728.17	\$1,103,600	7.00%	2/22/00	8/01/11	N/A	15	S
N/A	PLP	263 East Tremont Avenue & 1911 Anthony Avenue	1997 Series C	Bronx	31	100%	\$1,199,094.71	\$1,207,706	7.50%	10/07/98	12/01/22	N/A	15	S
N/A	PLP	301-09 West 113th Street	1997 Series C	Manhattan	70	100%	\$702,845.75	\$952,000	7.50%	7/01/91	10/01/09	N/A	16	S
N/A	PLP	349-59 Lenox Avenue	1997 Series C	Manhattan	26	100%	\$644,572.30	\$761,000	7.02%	12/31/98	12/01/14	N/A	15	S
N/A	PLP	455 Decatur Street	1997 Series C	Manhattan	8	96%	\$242,081.37	\$255,850	7.21%	10/01/99	7/01/28	N/A	15	S

† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ §236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection [†]
N/A	PLP	466-70 West 150th Street	1997 Series C	Manhattan	60	100%	\$697,084.75	\$760,314	7.65%	12/22/97	3/01/23	N/A	15	S
N/A	PLP	530 Audubon Avenue	1997 Series C	Manhattan	45	100%	\$674,273.44	\$757,800	6.80%	4/14/98	6/01/18	N/A	15	SUP
N/A	PLP	630 West 135th Street	1997 Series C	Manhattan	31	100%	\$196,286.00	\$234,262	7.28%	5/22/96	10/01/16	N/A	15	S
N/A	PLP	709-15 Lafayette Avenue	1997 Series C	Brooklyn	24	96%	\$753,494.09	\$815,000	7.43%	11/03/98	2/01/20	N/A	15	S
N/A	PLP	750-54 East 169th Street & 1227 Boston Road	1997 Series C	Bronx	40	98%	\$368,634.72	\$456,000	7.50%	3/17/94	9/01/10	N/A	16	S
N/A	PLP	887-89 Hunts Point Avenue	1997 Series C	Bronx	46	96%	\$1,135,863.17	\$1,237,161	7.28%	12/07/98	4/01/19	N/A	15	S
N/A	PLP	932-38 Eastern Parkway	1997 Series C	Brooklyn	24	100%	\$683,412.80	\$814,000	7.40%	10/16/96	10/01/16	N/A	15	S
N/A	PLP	1037-39 Bergen Street	1997 Series C	Brooklyn	24	96%	\$615,310.86	\$654,949	7.15%	3/13/00	12/01/19	N/A	15	S
N/A	PLP	1180 Anderson Avenue	1997 Series C	Bronx	41	100%	\$236,326.35	\$294,000	7.50%	6/14/91	4/01/11	N/A	15	U
N/A	PLP	1189 Sheridan Avenue	1997 Series C	Bronx	48	98%	\$335,814.12	\$455,000	7.50%	2/13/92	4/01/09	N/A	15	S
N/A	PLP	1409 & 1415 St. John's Place	1997 Series C	Brooklyn	40	95%	\$607,791.76	\$690,000	7.50%	6/03/97	3/01/13	N/A	15	S
N/A	PLP	1469-71 Bedford Avenue	1997 Series C	Brooklyn	27	93%	\$893,365.27	\$956,725	6.50%	3/24/00	9/01/12	N/A	15	S
N/A	PLP	1544 Park Place	1997 Series C	Brooklyn	34	94%	\$389,509.88	\$460,000	7.25%	12/30/96	6/01/16	N/A	15	S
N/A	PLP	1572 Lexington Avenue	1997 Series C	Manhattan	13	100%	\$459,127.80	\$540,039	7.73%	11/10/97	10/01/15	N/A	15	S
N/A	PLP	1740 Grand Avenue	1997 Series C	Bronx	92	100%	\$903,772.81	\$1,107,738	7.25%	1/27/98	7/01/14	N/A	15	S
N/A	PLP	1985 & 1995 Creston Avenue	1997 Series C	Bronx	85	99%	\$825,432.20	\$987,383	6.80%	1/21/94	6/01/14	N/A	15	BA
N/A	PLP	2038 Fifth Avenue	1997 Series C	Manhattan	7	100%	\$180,611.71	\$195,000	7.65%	3/31/98	1/01/20	N/A	15	S

[†] Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ \$236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection [†]
N/A	PLP	2245, 59, 85 & 89 Adam Clayton Powell Boulevard	1997 Series C	Manhattan	27	100%	\$373,600.78	\$406,086	7.20%	3/02/98	4/01/19	N/A	15	S
N/A	PLP	2492 Frederick Douglass Boulevard	1997 Series C	Manhattan	27	100%	\$130,031.66	\$152,000	9.00%	12/18/96	5/01/14	N/A	15	BA
N/A	PLP	2733 Frederick Douglass Boulevard	1997 Series C	Manhattan	12	100%	\$338,329.14	\$406,000	6.92%	12/23/97	8/01/15	N/A	15	S
N/A	PLP	Sheridan Manor	1999 Series D	Bronx	450	99%	\$7,532,912.16	\$8,310,000	7.00%	3/06/92	10/01/19	N/A	22	S
N/A	GML Article 16	Two Bridges	1997 Series C	Manhattan	198	100%	\$5,940,549.07	\$7,541,997	8.00%	6/03/97	3/01/13	N/A	16	S
N/A	New HOP	Celebration at Rainbow Hill	1999 Series A	Staten Island	74	100%	\$8,622,461.88	\$8,768,000	7.50%	5/18/00	8/01/31	N/A	19	S
N/A	HTF	Brook Avenue Gardens	1997 Series C	Bronx	79	96%	\$2,693,720.53	\$2,750,000	7.15%	8/10/00	3/01/31	N/A	15	S
N/A	HTF	1046 & 1050 Hoe Avenue	1997 Series C	Bronx	42	98%	\$781,222.98	\$900,000	7.00%	4/03/00	5/01/14	N/A	15	S
N/A	HTF	Wavecrest Apartments II	1999 Series C	Queens	123	99%	\$5,594,425.18	\$5,600,000	6.00%	1/23/03	3/31/33	N/A	21	S
N/A	HTF	75 East 116 th Street	2000 Series A	Manhattan	129	100%	\$6,867,210.86	\$6,890,000	7.00%	4/04/02	9/01/32	N/A	24	N/A
N/A	Certificate Program	Linden Mews	2002 Series B	Brooklyn	36	97%	\$1,222,560.73	\$1,230,000	6.00%	2/18/02	7/01/32	N/A	29	S
N/A	Certificate Program	Spring Creek IV	2002 Series B	Brooklyn	83	98%	\$2,604,153.75	\$2,620,000	6.00%	4/25/02	7/01/32	N/A	29	S
N/A	Certificate Program	2035 Marmion Avenue	2002 Series B	Bronx	90	99%	\$3,276,655.98	\$3,300,000	6.00%	1/17/02	7/01/32	N/A	29	N/A
N/A	Certificate Program	900 Ogden Avenue	2002 Series F	Bronx	120	100%	\$4,595,197.32	\$4,600,000	5.75%	7/01/02	2/01/33	N/A	34	N/A

[†] Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Applicable Series Resolution	Borough	No. Of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Amount	Mortgage Interest Rate	Approximate Date of Completion	Final Mortgage Maturity	HAP/TAC/ §236 Contract Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection ^{††}
N/A	Section 236	Knickerbocker Plaza [†]	1999 Series A	Manhattan	578	100%	\$21,448,315.31	\$24,844,100	9.50%	6/30/75	7/20/25	7/20/25	10	S
N/A	Section 236	Linden Plaza [†]	1996 Series A	Brooklyn	1,527	99%	\$36,258,247.56	\$50,301,388	6.0019% (\$48,560,652.50) 6.33652%	10/71	5/01/23	5/01/23	10	BA
N/A	Section 236	Ocean Park [†]	1996 Series A	Queens	602	99%	\$13,725,743.76	\$18,265,900	7.02%	2/72	5/01/22	5/01/22	10	S
N/A	Section 236	Washington Plaza/ Independence Plaza [†]	1996 Series A	Manhattan	1,332	97%	\$49,175,493.99 \$744,538.41	\$63,644,650 \$950,000	7.050492% (\$53,421,050) 9.972% (\$10,223,600) 7.60% (\$950,000)	9/74	5/01/22	5/01/22	10	S
TOTAL					18,821		\$682,269,376.83	\$791,267,562						

[†] The Mortgagor of this Development is regulated by HPD pursuant to the Mitchell-Lama Law.

^{††} Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

**DEVELOPMENTS AND PERMANENT MORTGAGE LOANS FINANCED
WITH THE PROCEEDS OF THE 2002 SERIES D BONDS
AS OF MARCH 31, 2003**

2002 SERIES D PURCHASED MORTGAGE LOANS[†]

Supplemental Security	Subsidy Program(s)	Number of Mortgage Loans	Number of Units	Aggregate Outstanding Mortgage Balance	Weighted Average Mortgage Interest Rate	Prepayment Category (see Appendix E-3)
FHA 221(d)(4)	HoDAG/PLP	5	342	\$3,444,679	1.00%	31
FHA 223(f)	Section 8 Mod Rehab	1	84	\$1,187,393	9.20%	31
N/A	Section 8 Mod Rehab	20	1,096	\$8,926,165	1.00%	31
N/A	HoDAG/PLP	6	651	\$22,773,921	1.00%	31
N/A	PLP ^{††}	324	15,486	\$346,506,603	1.00%	31
N/A	N/A ^{†††}	6	1,982	\$15,737,559	5.14%	31
TOTAL		362	19,641	\$398,576,320	1.19%	

[†] The 2002 Series D Purchased Mortgage Loans are evidenced by a 100% participation interest in the underlying 2002 Series D Purchased Mortgage Loans. Nearly one-half of the underlying 2002 Series D Purchased Mortgage Loans by aggregate outstanding mortgage balance are self-amortizing. As of April 30, 2002, the weighted average remaining time to maturity was approximately 20.1 years.

^{††} The Mortgagors of two (2) of these Mortgage Loans, with an aggregate outstanding mortgage balance of \$1,914,271 as of March 31, 2003 and representing less than one percent (1%) of the aggregate outstanding mortgage balance of the underlying 2002 Series D Purchased Mortgage Loans, are in default of their Mortgage Loans (see "THE PROGRAM—Mortgage Loans with Current Financial Difficulties").

^{†††} All of the 6 Mortgagors of these Mortgage Loans, representing approximately 3.9% of the aggregate outstanding mortgage balance of the underlying 2002 Series D Purchased Mortgage Loans, are regulated by HPD pursuant to the Mitchell-Lama Law.

**DEVELOPMENTS AND PERMANENT MORTGAGE LOANS FINANCED
WITH THE PROCEEDS OF THE 2002 SERIES D BONDS
AS OF MARCH 31, 2003**

2002 SERIES D TRUST MORTGAGE LOANS[†]

Supplemental Security	Subsidy Program(s)	Number of Mortgage Loans	Number of Units	Aggregate Outstanding Mortgage Balance	Weighted Average Mortgage Interest Rate	Prepayment Category (see Appendix E-3)
N/A	PLP	50	4,552	\$136,725,794	1.00%	31
N/A	Section 236 ^{††}	4	1,245	\$45,465,025	8.35%	37
N/A	N/A ^{††}	36	10,298	\$82,102,029	5.02%	37
TOTAL		90	16,095	\$264,292,848	3.51%	

[†] The 2002 Series D Trust Mortgage Loans are evidenced by a 100% participation interest in a portion of the cash flow derived from the \$207,405,653 principal amount outstanding, as of May 27, 2003, of the Class B-1 Sheridan Trust II, Multifamily Mortgage Pass-Through Certificate, Series 1996M-1 (the "Class B-1 Sheridan Trust II Certificate") which certificate evidences a beneficial ownership interest in the Class B Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995M-1 which certificate, in turn, represents a beneficial ownership interest in the underlying 2002 Series D Trust Mortgage Loans. The Class B-1 Sheridan Trust II Certificate is subordinate in right of payment to the \$4,387,690 principal amount outstanding, as of May 27, 2003, of the Class A-1 Sheridan Trust II, Multifamily Mortgage Pass-Through Certificate, Series 1996-M1 (the "Class A-1 Sheridan Trust II Certificate") and is also subordinate in right of payment to the \$58,885,279 principal amount outstanding, as of May 27, 2003, of the Class A Sheridan Trust Multifamily Mortgage Pass-Through Certificate, Series 1995-M1 (the "Class A Sheridan Trust Certificate"). The cash flow on the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate is based on the weighted average mortgage rate on the underlying 2002 Series D Trust Mortgage Loans and certain other mortgage loans (net of servicing and trustee fees) with respect to the aggregate principal amount outstanding of the Class A Sheridan Trust Certificate, the Class A-1 Sheridan Trust II Certificate and the Class B-1 Sheridan Trust II Certificate, as the case may be. Based upon projected cash flows prepared in connection with the issuance of the 2002 Series D Bonds in June 2002, it is presently anticipated that payments on the Class B-1 Sheridan Trust II Certificate, which cannot begin until all payments are made on the Class A Sheridan Trust Certificate and the Class A-1 Sheridan Trust II Certificate, will begin to be made in March 2007; however, the Corporation can give no assurance as to when such payments will actually begin. A significant majority of the underlying 2002 Series D Mortgage Loans by aggregate outstanding mortgage balance are self-amortizing. As of April 30, 2002, the weighted average remaining time to maturity for the underlying 2002 Series D Trust Mortgage Loans was approximately 18.3 years.

^{††} All of the Mortgagors of these Mortgage Loans, representing approximately 48.3% of the aggregate outstanding mortgage balance of the underlying 2002 Series D Trust Mortgage Loans, are regulated by HPD pursuant to the Mitchell-Lama Law.

**DEVELOPMENTS AND CONSTRUCTION MORTGAGE LOANS
OUTSTANDING UNDER THE PROGRAM
AS OF MARCH 31, 2003[†]**

Supplemental Security	Subsidy Program	Development Name	Applicable Series Resolution	Borough	No. of Units	Advances Made to Date	Construction Mortgage Loan Amount	Construction Loan Interest Rate	Anticipated Permanent Mortgage Loan Amount	Permanent Mortgage Interest Rate	Expected Date of Completion	Final Permanent Mortgage Maturity	Prepayment Category (Appendix E-3)
SONYMA	New HOP/HTF	Village Care Apartments	1999 Series E	Manhattan	85	\$10,004,553.99	\$10,350,000	6.20%	\$9,790,000	6.35%	2/07/03	7/01/36	23
GNMA	N/A	1842-46 Second Avenue	2001 Series A	Manhattan	104	\$28,799,589.00	\$30,115,000	6.25%	\$30,115,000	5.95%	12/15/03	4/01/43	26
N/A	PLP	Brook East	2001 Series C	Bronx	34	\$2,702,539.16	\$2,900,000	5.30%	\$1,000,000	6.00%	11/06/03	11/06/28	27
N/A	New HOP	203-15 West 148 th Street	2001 Series C	Manhattan	87	\$6,598,940.78	\$6,800,000	5.30%	\$3,440,000	6.00%	11/06/03	11/06/33	27
N/A	New HOP	71st Avenue	1999 Series B	Queens	137	\$16,328,843.36	\$17,200,000	7.35%	\$17,200,000	8.00%	9/30/03	7/01/31	19
N/A	New HOP	64-78 West 9 th Street	2000 Series B	Brooklyn	26	\$2,837,601.43	\$3,060,000	7.85%	\$3,060,000	8.50%	6/26/03	12/26/32	25
N/A	New HOP	202-18 West 148 th Street	2001 Series C	Manhattan	100	\$5,417,355.43	\$6,550,000	5.30%	\$6,550,000	6.00%	11/06/03	11/06/33	28
N/A	New HOP	279 West 117 th Street	2002 Series A	Manhattan	138	\$1,567,879.74	\$18,770,000	5.85%	\$18,770,000	6.00%	7/01/04	7/10/32	29
N/A	New HOP	306-18 West 117 th Street	2002 Series A	Manhattan	96	\$490,221.69	\$17,600,000	5.35%	\$17,600,000	6.00%	6/28/04	6/28/34	29
N/A	New HOP	141-24 & 141-28 84 th Drive	2002 Series C	Queens	48	\$1,043,346.00	\$6,760,000	6.75%	\$6,760,000	7.50%	3/19/04	3/19/34	30
N/A	New HOP	170 East 108 th Street, 156 East 109 th Street & 1509 Lexington Avenue ^{††}	2002 Series C	Manhattan	17	\$1,269,060.59	\$1,530,000	6.75%	\$1,530,000	7.75%	5/30/03	2/01/33	15
N/A	New HOP	221 Parkville Avenue	2002 Series C	Brooklyn	41	\$607,118.45	\$4,550,000	6.75%	\$4,550,000	8.00%	6/04/04	6/04/34	30
N/A	New HOP	222-26 & 247-65 West 144 th Street	2002 Series C	Manhattan	100	\$4,742,109.00	\$5,820,000	6.75%	\$5,820,000	7.75%	2/01/04	2/01/34	15
N/A	New HOP	235-47 East 105 th Street	2002 Series C	Manhattan	48	\$3,629,528.65	\$3,800,000	6.75%	\$3,800,000	8.00%	10/16/03	10/31/03	30
N/A	New HOP	277 Gates Avenue	2002 Series C	Brooklyn	35	\$367,259.97	\$2,500,000	6.75%	\$2,500,000	8.00%	12/26/03	12/31/33	30
N/A	New HOP	893-95 Pacific Street	2002 Series C	Brooklyn	16	\$290,868.81	\$1,490,000	6.75%	\$1,490,000	8.00%	3/20/04	3/31/34	30
N/A	New HOP	1061 East 73 rd Street a/k/a 1961 Ralph Avenue	2002 Series C	Brooklyn	72	\$3,376,092.00	\$9,190,000	6.75%	\$9,190,000	8.00%	4/07/04	4/30/34	30
N/A	New HOP	1825 Needham Avenue ^{††}	2002 Series C	Bronx	48	\$4,400,000.00	\$4,400,000	6.75%	\$4,400,000	7.75%	9/30/02	9/30/32	15
N/A	New HOP	2232 & 2295-97 First Avenue	2002 Series C	Manhattan	21	\$1,722,363.02	\$1,910,000	7.85%	\$1,910,000	8.50%	4/02/03	9/01/32	15
N/A	New HOP	3800 Putnam Avenue	2002 Series C	Bronx	44	\$105,430.50	\$4,310,000	6.75%	\$4,310,000	8.00%	9/21/04	9/22/34	15
N/A	New HOP	Beach 94 th Street & Holland Avenue	2002 Series C	Queens	92	\$3,825,374.16	\$7,640,000	6.75%	\$7,640,000	7.75%	6/30/03	3/31/33	15
N/A	New HOP	Triangle Court Phase III	2002 Series E	Manhattan	97	\$350,000.00	\$14,000,000	5.10%	\$14,000,000	5.75%	9/30/04	9/30/34	33
N/A	HTF	Nelson Senior Houses 2913, 2917, 2919, 2920 & 2922 Eighth Avenue	2001 Series C	Bronx	82	\$5,464,339.22	\$6,000,000	5.30%	\$3,380,000	6.00%	6/16/03	6/17/33	27
N/A	HTF		2002 Series E	Manhattan	40	\$482,064.00	\$3,200,000	5.10%	\$2,200,000	5.75%	8/06/04	2/06/35	32

[†] Subsequent to March 31, 2003, one (1) Construction Mortgage Loan consisting of 90 dwelling units, with an outstanding anticipated Permanent Mortgage balance of \$9,100,000, was financed (see "Appendix E-2—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 2000 Series B Bonds and the 2002 Series C Bonds").

^{††} Subsequent to March 31, 2003, the Permanent Mortgage Loan for this Development was made.

Supplemental Security	Subsidy Program	Development Name	Applicable Series Resolution	Borough	No. of Units	Advances Made to Date	Construction Mortgage Loan Amount	Construction Loan Interest Rate	Anticipated Permanent Mortgage Loan Amount	Permanent Mortgage Interest Rate	Expected Date of Completion	Final Permanent Mortgage Maturity	Prepayment Category (Appendix E-3)
N/A	Certificate Program	678 Sagamore Street	2001 Series C	Bronx	84	\$6,249,767.00	\$6,250,000	5.30%	\$3,400,000	6.00%	11/07/03	11/04/33	27
N/A	Certificate Program	2080 LaFontaine Avenue	2002 Series E	Bronx	74	\$1,325,488.29	\$6,100,000	5.10%	\$3,100,000	5.75%	6/19/04	12/19/34	32
TOTAL					1,766	\$113,997,734.24	\$202,795,000		\$187,505,000				

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**DEVELOPMENTS AND MORTGAGE LOANS EXPECTED TO BE FINANCED WITH
THE PROCEEDS OF THE 2000 SERIES B BONDS AND THE 2002 SERIES C BONDS
AS OF MARCH 31, 2003***

Supplemental Security	Subsidy Program	Development Name	Applicable Series Resolution	Borough	Number of Units	Anticipated Construction Mortgage Loan Amount	Anticipated Permanent Mortgage Loan Amount	Expected Permanent Mortgage Term	Loan Status ^{***}	Expected Prepayment Category (see Appendix E-3)
N/A	New HOP	46-19 88th Street	2000 Series B	Queens	17	\$1,320,000	\$1,320,000	30 years	2, 3	25
N/A	New HOP	90-05 161st Street ^{**}	2002 Series C	Queens	90	\$9,100,000	\$9,100,000	30 years	2	30
N/A	New HOP	9501 Rockaway Beach Boulevard	2002 Series C	Queens	72	\$5,380,000	\$5,380,000	30 years	1	30
TOTAL					179	\$15,800,000	\$15,800,000			

* All of the Developments are expected to utilize 2000 Series B Bond, 2002 Series C Bond and/or 2002 Series E Bond proceeds for a portion of construction and/or permanent financing and/or the acquisition of Permanent Mortgage Loans; however, the Corporation may, in its sole discretion, substitute other Developments. The Mortgage Loans expected to be financed with the proceeds of the 2000 Series B Bonds, the 2002 Series C Bonds and the 2002 Series E Bonds are not expected to be secured by supplemental security. However, the Corporation may, in the future, seek full or partial mortgage insurance from SONYMA or REMIC for certain of the Developments financed with the 2000 Series B Bonds and the 2002 Series C Bonds, which, if obtained, would be effective subsequent to completion of construction and rent-up of the applicable Development. In addition, all of the Developments are expected to be newly constructed or substantially rehabilitated. It is anticipated that the Permanent Mortgage Loans will be made within the next twenty-four (24) months.

** Subsequent to March 31, 2003, the Construction Mortgage Loan for this Development was made.

*** Loan Status: 1 = Under review by the Corporation, permanent commitment pending; 2 = Commitment executed; 3 = Construction loan closed.

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APPENDIX E-3

MORTGAGE LOAN PREPAYMENT PROVISIONS

One of the following categories of prepayment provisions applies to the prepayment of principal with respect to each of the outstanding Mortgage Loans. Appendices E-1 and E-2 denote which one of the prepayment provisions applies to each outstanding Mortgage Loan and expected Mortgage Loan, respectively. The following chart summarizes the applicability of each prepayment category as of March 31, 2003.

Prepayment Category	Number of Mortgage Loans	Outstanding Principal Balance of Mortgage Loans****	Percentage of Total Outstanding Principal Balance of Mortgage Loans****
Category 1	3	\$5,421,390	0.37%
Category 2	5	\$36,194,626	2.48%
Category 3	6	\$24,581,607	1.68%
Category 4	7	\$61,443,865	4.21%
Category 5	8	\$38,754,246	2.66%
Category 6	1	\$1,471,295	0.10%
Category 7	2	\$10,563,071	0.72%
Category 8	4	\$4,144,169	0.28%
Category 9	15	\$5,167,346	0.35%
Category 10	12	\$203,750,688	13.96%
Category 11	—	—	—
Category 12	—	—	—
Category 13	7	\$9,959,734	0.68%
Category 14	8	\$11,872,470	0.81%
Category 15	44	\$51,861,098	3.55%
Category 16	4	\$7,604,555	0.52%
Category 17	9	\$61,961,140	4.25%
Category 18	1	\$20,251,362	1.39%
Category 19	12	\$76,655,083	5.25%
Category 20	1	\$31,296,845	2.14%
Category 21	1	\$5,594,425	0.38%
Category 22	1	\$7,532,912	0.52%
Category 23	1	\$10,004,554	0.69%
Category 24	1	\$6,867,211	0.47%
Category 25	6	\$22,852,453	1.57%
Category 26	1	\$28,799,589	1.97%
Category 27	4	\$21,015,586	1.44%
Category 28	1	\$5,417,355	0.37%
Category 29	5	\$9,161,472	0.63%
Category 30	6	\$9,314,214	0.64%
Category 31*	452	\$662,869,168	45.43%
Category 32	2	\$1,807,552	0.12%
Category 33	1	\$350,000	0.02%
Category 34	1	\$4,595,197	0.31%
Category 35**	—	—	—
Category 36***	—	—	—
Category 37*	—	—	—
TOTAL	632	\$1,459,136,279	100.00%

* Expected prepayment categories for the 2003 Series D Mortgage Loans.
 ** Expected prepayment category for the 2003 Series B Mortgage Loans.
 *** Expected prepayment category for the 2003 Series C Mortgage Loan.
 **** May not add due to rounding.

Any prepayment premium or penalty described below (except for the premium described in Category 9, Category 18, Category 21, Category 23, Category 24 and Category 26) shall not constitute a Pledged Receipt or Recovery of Principal.

Category 1. Prepayments of the principal amount of a Mortgage Loan may be made only with the approval of FHA upon giving the Corporation at least thirty (30) days' prior written notice. Any such prepayment may be made on any May 1 or November 1. In the event that any prepayment of principal is made, the Mortgagor must pay to the Corporation such fees and charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. With the consent of the Corporation and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 2. Prepayments of the principal amount of a Mortgage Loan may be made only with the written approval of FHA and the Corporation. The Corporation will grant such approval only if it determines that such a prepayment would not affect the tax-exempt status of the bonds issued to finance the Mortgage Loan. A prepayment may not be made prior to the later of (i) the date which is 21 years after the date on which any units in such Development are first occupied or (ii) the date on which assistance under the HAP Contract relating to such Development is terminated. In the event that any prepayment is made, the Mortgagor must pay to the Corporation such fees and charges which are reasonable, as determined by FHA and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. Notwithstanding the prior paragraph, with the consent of the Corporation and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 3. The prepayment terms for a Mortgage Loan in Category 3 are identical in all respects to the terms set forth in Category 2 except that no premium is due and no prepayment shall be made prior to the latest of (i) the date which is 10 years after the date on which 50% of the units in the Development are first occupied, (ii) the date which is 22 years and 4 months after the date on which any unit in the Development is first occupied or (iii) the date on which assistance under the HAP Contract with respect to such Development is terminated.

Category 4. Prepayments of the principal amount of a Mortgage Loan may be made in whole or in part on the first day of any month upon thirty (30) days' written notice to the Corporation. In the event that any prepayment is made, the Mortgagor must pay to the Corporation such fees and charges which are reasonable, as determined by FHA and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds. Notwithstanding the foregoing, a Mortgagor is permitted to prepay up to

fifteen percent (15%) of the original principal amount of its Mortgage Loan without penalty in each calendar year.

In the event of a partial prepayment, the remaining principal amount will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. Notwithstanding the prior paragraph, with the consent of the Corporation and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 5. The prepayment terms of a Mortgage Loan in Category 5 are identical in all respects to the terms set forth in Category 4.

Category 6. Prepayment of the principal amount of a Mortgage Loan may be made only with the approval of FHA and the Corporation. The Corporation will grant such approval only if it determines that such a prepayment would not affect the tax-exempt status of the bonds issued to finance the Mortgage Loan. A prepayment may not be made prior to the later of (i) the date which is sixteen (16) years and three (3) months after the date on which any unit in the Development is first occupied or (ii) the date on which assistance under the HAP Contract relating to such Development, if any, is terminated. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a penalty or charge in an amount equal to such fees and charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. Notwithstanding the prior paragraph, with the consent of the Corporation and FHA, prepayment of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 7. Prepayments of the principal amount of a Mortgage Loan may be made only upon giving the Mortgage Banker at least thirty (30) days' prior written notice. Any such prepayment may be made on any Mortgage Loan payment date only upon payment to the Mortgage Banker of certain costs, if any. Notwithstanding the foregoing, with respect to the Mortgage Loan for United Help/Selfhelp Sheltered Extension (a/k/a Scheuer House of Flushing), the Mortgagor of this Development may not prepay in whole or in part the principal balance of said Mortgage Loan prior to its maturity.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Mortgage Banker and FHA. Notwithstanding the prior paragraph, with the consent of the Mortgage Banker and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or part from the proceeds of insurance or condemnation without a penalty or charge.

Category 8. Prepayments of the principal amount of a Mortgage Loan may be made only with the written approval of the Corporation. The Corporation will grant such approval only if it determines that such prepayment would not affect the tax-exempt status of the bonds issued to finance the Mortgage Loan. A prepayment may not be made prior to the later of (i) ten (10) years nine (9) months after the date

on which the Mortgage Loan was made (i.e. shortly after completion of the Development) or (ii) the date on which assistance under the HAP Contract relating to the Development is terminated. In the event that any prepayment is made, the Mortgagor must pay to the Corporation certain other fees and charges, if any.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain fees and charges, if any.

Category 9. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2004. On or after such date, upon sixty (60) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2004 until the premium reaches zero.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 10. Prepayments of the principal amount of a Mortgage Loan may be made at any time upon payment of such amount and certain other fees and charges. See "THE PROGRAM—The Mitchell-Lama Program," and "Appendix F—Description of Supplemental Security, Subsidy, Subordinate Loan/Grant and Mitchell-Lama Programs—The Section 236 Program" and "—The Mitchell-Lama Program" for a discussion of other factors concerning prepayment of a Mortgage Loan.

Category 11. [Reserved]

Category 12. [Reserved]

Category 13. Prepayments of the principal amount of a Mortgage Loan may be made only upon giving the holder of the Mortgage Loan (either the Corporation or the Mortgage Banker) at least thirty (30) days' prior written notice. Any such prepayment may be made on any Mortgage Loan payment date and shall include certain other costs, if any.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the holder of the Mortgage Loan and FHA. Notwithstanding the prior paragraph, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part at any time without a penalty or charge (i) from the proceeds of insurance or condemnation or (ii) if HUD determines that such prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the federal government.

Category 14. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to May 1, 2007. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after May 1, 2007 until the premium reaches zero.

Notwithstanding the prior paragraph, under certain circumstances, at the election of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 15. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the Mortgage Loan closing, which closing typically occurs shortly after the completion of the Development. On or after such date, upon either thirty (30) days' or sixty (60) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after the tenth (10th) anniversary of the Mortgage Loan closing until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Notwithstanding the prior paragraph, under certain circumstances, at the election of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 16. The prepayment terms of the Mortgage Loan in Category 16 are identical in all respects to the terms set forth in Category 15 except that the Mortgagor is not required to pay any premium after the tenth (10th) anniversary of the Mortgage Loan closing.

Category 17. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to May 1, 2008. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after May 1, 2008 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 18. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2008. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one and one-half percent (1.50%) of the amount of such prepayment less three-quarters of one percent (.75%) for each twelve (12) month period which has elapsed after November 1, 2008 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 19. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the fifteenth (15th) anniversary of the expiration of the scheduled construction period or the date of the making of the permanent financing, as applicable, for such Mortgage Loan. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after the fifteenth (15th) anniversary of the issuance of the Bonds, or such later date as determined by the Corporation, until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 20. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the twentieth (20th) anniversary of the expiration of the scheduled construction period for such Mortgage Loan. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each

twelve (12) month period which has elapsed after the twentieth (20th) anniversary of the issuance of the Bonds, or such later date as determined by the Corporation, until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 21. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2009. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2009 until the premium reaches zero. In the event that any such prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 22. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2006. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2006 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 23. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2009. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent

(1%) for each twelve (12) month period which has elapsed after November 1, 2009 until the premium reaches zero. Notwithstanding the foregoing, the Mortgagor will be required to make a mandatory prepayment of the Mortgage Loan, without any premium, in an amount of \$560,000 on March 1, 2003, provided, however, the Mortgagor may make such mandatory prepayment prior to March 1, 2003 but not earlier than January 1, 2001. In the event that any prepayment is made, except for such mandatory prepayment, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 24. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2010. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2010 until the premium reaches zero. Notwithstanding the foregoing, the Mortgagor will be required to make a mandatory prepayment of the Mortgage Loan, without any premium, in an amount of \$4,550,000 on September 1, 2004, provided, however, the Mortgagor may make such mandatory prepayment prior to September 1, 2004 but not earlier than April 1, 2002. This mandatory prepayment was made on or about October 24, 2002. In the event that any prepayment is made, except for such mandatory prepayment, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 25. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the making of such Mortgage Loan. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after the tenth (10th) anniversary of the issuance of the Bonds, or such later date as determined by the Corporation, until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 26. The Mortgage Loan is expected to contain the following prepayment provisions. The Mortgagor is prohibited from making any prepayment prior to May 1, 2011. On or after such date, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after May 1, 2011 until the premium reaches zero, plus a charge related to the Corporation's cost of redeeming the allocable portion of Bonds. Any such prepayment may be made on any Mortgage Loan payment date only upon payment to the Mortgage Banker of certain costs, if any.

Notwithstanding the prior paragraph, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge.

Category 27. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2011. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2011 until the premium reaches zero. Notwithstanding the foregoing, the Mortgagor will be required to make a mandatory prepayment of a portion of the Mortgage Loan, without any premium, on September 1, 2005, provided, however, the Mortgagor may make such mandatory prepayment prior to September 1, 2005 but not earlier than November 1, 2002. In the event that any prepayment is made, except for such mandatory prepayment, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 28. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2011. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2011 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 29. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2012. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one percent (1%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2012 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 30. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the expiration of the scheduled construction period for such Mortgage Loan which in no event will be sooner than May 1, 2012. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after such date until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 31. Prepayments of the principal amount of a Mortgage Loan may be made at any time upon payment of such amount and certain other fees and charges, if any.

Category 32. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the making of such Mortgage Loan which in no event will be sooner than November 1, 2012. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent

(1%) for each twelve (12) month period which has elapsed after such date until the premium reaches zero. Notwithstanding the foregoing, the Mortgagor will be required to make a mandatory prepayment of a portion of the Mortgage Loan, without any premium, on September 1, 2006, provided, however, the Mortgagor may make such mandatory prepayment prior to September 1, 2006 but not earlier than March 1, 2004. In the event that any prepayment is made, except for such mandatory prepayment, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 33. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the making of such Mortgage Loan which in no event will be sooner than November 1, 2012. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2012 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 34. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the making of such Mortgage Loan which in no event will be sooner than November 1, 2012. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 35. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the making of such Mortgage Loan which in no event will be sooner than September 1, 2013. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after such date until the premium reaches zero. Notwithstanding the foregoing, the Mortgagor will be required to make a mandatory prepayment of a portion of the Mortgage Loan, without any premium, on March 1, 2007, provided, however, the Mortgagor may make such mandatory prepayment prior to March 1, 2007 but not earlier than September 1, 2004. In the event that any prepayment is made, except for such mandatory prepayment, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 36. No prepayment is permitted if any amounts are due and owing under the Mortgage Loan or an event of default has occurred under the Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth (10th) anniversary of the making of such Mortgage Loan which in no event will be sooner than September 1, 2013. On or after such date, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of the Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after September 1, 2013 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 37. No prepayment is permitted under the Mortgage Loan.

APPENDIX E-4

PERMANENT MORTGAGE LOAN PHYSICAL INSPECTION RATINGS

The Corporation conducts an annual site review of each Development to monitor its physical condition; however, Developments with FHA insured Mortgage Loans having a superior inspection rating need only be inspected by the Corporation every three (3) years and Developments with Permanent Mortgage Loans made recently may not have been inspected by the Corporation. During this review, the Corporation undertakes various procedures to monitor both the exterior and interior physical condition of the Developments. The exterior review includes an inspection of exterior walls and foundations, roofs, exterior walkways, security systems, and gas, water and sewage systems. The Corporation's interior review includes an inspection of floors, stairs, interior walkways, community space, electrical and plumbing fixtures, heating and air conditioning systems, and boiler facilities. In addition, the Corporation inspects, among other things, each Development's play areas, elevators, and fire and safety safeguards.

The Corporation's inspection ratings for the Developments, which incorporate HUD's inspection ratings for FHA-insured mortgage loans, include four rating levels: superior (HUD score: 90-100), satisfactory (HUD score: 60-89), below average (HUD score: 46-59) and unsatisfactory (HUD score: 0-45). Appendix E-1 denotes which one of the four rating levels applies to each outstanding inspected Development. The following chart summarizes the applicability of each physical inspection rating level as of March 31, 2003. A significant majority of the 2002 Series D Mortgage Loans are not inspected by the Corporation; such 2002 Series D Mortgage Loans not inspected by the Corporation are not included in this chart.

Physical Inspection	Number of Mortgage Loans*	Outstanding Principal Balance of Mortgage Loans	Percentage of Total Outstanding Principal Balance of Mortgage Loans
Superior	12	\$82,556,206	13.22%
Satisfactory	110	\$381,156,015	61.05%
Below Average	20	\$148,517,915	23.79%
Unsatisfactory	6	\$12,088,344	1.94%
TOTAL	148	\$624,318,480	100.00%

Superior

This rating is assigned based on a physical inspection that reveals no fire and safety violations; no roof or boiler leakage; no structural deficiencies; strict implementation of maintenance practices; adequate funds available to make necessary repairs; and overall attractive physical plant with highly presentable public and utility areas.

* Developments with Permanent Mortgage Loans made recently may not yet have been inspected by the Corporation. These include six (6) Permanent Mortgage Loans made prior to March 31, 2003 and twenty-four (24) 2002 Series D Mortgage Loans which were made on June 20, 2002.

Satisfactory

This rating is assigned based on a physical inspection that reveals only minor violations in the Development which the Corporation believes management will cure; no structural deficiencies; no fire and safety violations; and basic adherence to maintenance practices.

Below Average

This rating is assigned based on a physical inspection that reveals an inoperable fire alarm control system for the Development regardless of other existing conditions; other fire and safety hazards in the Development; inoperable elevators; and/or structural deficiencies. Failure to correct all deficiencies or failure to fully comply with the Corporation's inspection process and/or reporting requirements after a satisfactory review may result in a below average rating on a subsequent review.

Unsatisfactory

This rating is assigned based on a physical inspection that reveals repeat violations including those covered under a below average rating; hazardous conditions throughout the Development including structural damage, leaking roofs and boilers; unattractive public and/or utility areas; and/or failure to correct deficiencies despite written warnings on at least two (2) occasions.

**DESCRIPTION OF SUPPLEMENTAL SECURITY, SUBSIDY,
SUBORDINATE LOAN/GRANT AND MITCHELL-LAMA PROGRAMS**

The FHA Insurance Program

General. The following describes briefly the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Sections 220, 221(d)(3), 221(d)(4) or 223(f) of the National Housing Act, as amended (the “National Housing Act”), and is qualified in its entirety by reference to the National Housing Act and the regulations thereunder. The applicable FHA regulations regarding such Sections of the National Housing Act are contained in Part 200, Part 220, Part 221 and Part 223 respectively, of Title 24 of the Code of Federal Regulations and, with certain exceptions, incorporate by reference the provisions of Subpart A, Part 207 of Title 24 of the Code of Federal Regulations concerning eligibility requirements of mortgages covering multi-family housing under Section 207 of the National Housing Act and the provisions of Subpart B, Part 207 of Title 24 of the Code of Federal Regulations concerning the contract rights and obligations of the mortgagee with respect to mortgages insured under Section 207 of the National Housing Act. In the event of a conflict between the documents governing the FHA Mortgage Loans, the National Housing Act or the FHA rules, regulations and program requirements and the Resolutions, the documents governing the FHA Mortgage Loans or provisions of the National Housing Act and FHA rules, regulations and program requirements will be controlling. FHA Insurance benefits under the program are available only if the mortgagee of record is an FHA-approved mortgagee. The Corporation has been an FHA-approved mortgagee under the FHA Insurance program since 1972.

FHA regulations define a default under an FHA insured mortgage (including the note incorporated therein) as: (1) a failure to make any payments due under such mortgage or (2) a failure to perform any other mortgage covenant (which includes covenants in the regulatory agreement executed in connection with such FHA insured mortgage) if the mortgagee, because of such failure, has accelerated the debt. In the event that there is a default beyond applicable notice and grace periods under the FHA regulatory agreement and FHA so requests, the mortgagee, at its option, may declare the whole indebtedness due and payable. Furthermore, the FHA regulations provide that upon notice of a violation of a mortgage covenant, FHA reserves the right to require the mortgagee to accelerate payment of the outstanding principal in order to protect FHA’s interests. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements.

It is the responsibility of the mortgagee to notify FHA in the event of such a default by the mortgagor under the mortgage note or mortgage. FHA regulations further require the mortgagee to make an election, within forty-five (45) days after the date on which the mortgagee becomes eligible to receive FHA Insurance benefits, (i) to assign the mortgage to FHA or (ii) to acquire title to and convey the project property to FHA, unless such time period is extended by FHA.

The mortgagee is required to submit all required documentation within forty-five (45) days of the date the mortgage is assigned to FHA unless the time is extended by FHA. The documentation required to be supplied to FHA includes the mortgage note, the mortgage, the security agreement, the financing

statements, the title policy, the hazard policy and other instruments, together with assignments of such documents to FHA. If the election is not made or the documents are not delivered within the forty-five (45) days allowed, FHA will not pay the mortgagee interest on sums outstanding from the date the election should have been made or the date the required documents should have been submitted to FHA, whichever is applicable, to the date when the mortgage insurance claim is finally paid, unless FHA has agreed to extend the period with interest.

The FHA Insurance benefits received in the event of any claim under the FHA Insurance contract will be subject to certain deductions. The mortgagee will be entitled to settlement of the insurance claim in cash (or, if elected by the mortgagee, in FHA debentures), upon assignment of the mortgage, in an amount equal to 99% of the amount of the principal balance of a defaulted mortgage loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the mortgagee for the benefit of the development and not assigned to FHA. However, the Corporation has covenanted in the applicable Supplemental Resolutions to receive insurance claim settlements in cash. FHA Insurance benefits include the payment of interest at the FHA debenture rate on the amount of the insurance claim from the date of default to the date the claim is paid (or such earlier date by which the mortgagee is required to file the election to assign the mortgage or complete submissions as described above, if the mortgagee fails to take such action on a timely basis). The interest rate on the FHA debentures is the rate in effect as of the date of the commitment for FHA Insurance or as of the date of initial endorsement of the note by FHA, whichever is higher. In the case of a monetary default, the date of default is deemed to be the date on which payment on the mortgage loan originally should have been received.

In connection with a claim for FHA Insurance benefits, FHA may require delivery to it of certain cash items. Cash items are defined to include, among other things, any cash held by or on behalf of the mortgagee which has not been applied to reduce the mortgage, funds held by the mortgagee for the account of the mortgagor, any unadvanced balance of the insured note and any undrawn balance under letters of credit delivered to the mortgagee in connection with endorsement of the insured note. The mortgagee is responsible for all funds in its custody and must therefore obtain approval from FHA and others when required, prior to release of any funds which may be in its possession. Failure properly to protect such funds may result in a deduction from the FHA Insurance benefits in an amount equal to the funds FHA asserts should have properly been held as a deposit.

In the event of an assignment, in order to receive FHA Insurance benefits, FHA requires the mortgagee to warrant that: (1) no act or omission of the mortgagee has impaired the validity and priority of the mortgage; (2) the mortgage is prior to all mechanic's and materialmen's liens filed on record subsequent to the recording of the mortgage, regardless of whether such liens attached prior to the recording date; (3) the mortgage is prior to all liens and encumbrances which may have attached or defects which may have arisen subsequent to the recording of the mortgage, except such liens or other matters as may be approved by FHA; (4) the amount stated in the instrument of assignment is actually due under the insured note and mortgage and there are no offsets or counterclaims against such amount; and (5) the mortgagee has a good right to assign the insured note and mortgage. In assigning its security interest in chattels, including materials, located on the premises covered by the mortgage, or its security interest in building components stored either on-site or off-site at the time of assignment, the mortgagee is required to warrant that: (a) no act or omission of the mortgagee has impaired the validity or priority of the lien created by the chattel security instruments; (b) the mortgagee has a good right to assign the

security instruments; and (c) the chattel security instruments are a first lien on the items covered by the instruments except for such other liens or encumbrances as may be approved by FHA.

The mortgagee will be required to furnish FHA with a title insurance policy or policies which name FHA as an insured party and which assure that the mortgage constitutes a first lien on the project, subject only to such exceptions previously approved by FHA. The mortgagee will be required to remove any unapproved intervening liens and to obtain an updated title endorsement within the 45-day period (or such longer period as may be approved by FHA) during which documents are required to be submitted. FHA will deduct the amount of any unapproved liens which have priority over the insured mortgage lien from the mortgage insurance benefits.

FHA typically pays a portion of an insurance claim prior to the delivery of all required documentation, including the mortgage note and the mortgage. If a claim is made, FHA will usually, but is not obligated to, pay 90% of the outstanding principal balance of the note within fifteen days of the recordation of an assignment of the mortgage to FHA. Remaining balances are paid to the mortgagee after FHA has received final financial data and final legal clearance has been received. During the period from the date of default on the mortgage until final payment (or such earlier date by which the mortgagee is required to complete submissions as described above), FHA pays interest on the remaining unpaid amount of the insurance claim at the FHA debenture rate.

FHA requires the maintenance of specified casualty insurance on mortgaged properties. The mortgagee must obtain such coverage in the event the mortgagor fails to do so. If the mortgagee fails to pay any premiums necessary to keep the mortgaged property so insured, the mortgage insurance may be terminated at the election of FHA. Alternatively, failure to maintain such insurance at the required levels may result in loss of FHA Insurance benefits in the event the mortgage is assigned to FHA and there are uncompensated amounts arising out of a casualty loss unless, at the time of initial endorsement of the note by FHA, the related project was covered by casualty insurance and such insurance was later canceled or not renewed and the mortgagee gave notice thereof to FHA within 30 days, or within such further time as FHA may approve, accompanied by a certification that diligent efforts to obtain casualty insurance at reasonably competitive rates were unsuccessful and that efforts to obtain adequate insurance coverage at competitive rates will be continued.

Regulatory Agreement, Rent Adjustments and HUD's Supervisory Powers. Under the form of regulatory agreement used in connection with developments financed pursuant to FHA insured mortgage loans (the "Regulatory Agreement"), the mortgagor is required, among other things, to make all payments due under the mortgage loan and to pay a specified amount monthly into the reserve fund for replacements, which must at all times be under the control of state or local housing finance agencies (the "HFA") and disbursements from which may be made only with HUD's consent or, if authorized by HUD, with the consent of the HFA. In addition, the mortgagor must deposit all rents and other receipts of the development in a development bank account and may withdraw funds from such account only in accordance with the Regulatory Agreement for expenses of the development, certain required remittances to HUD, or distributions of return on equity. For projects subject to rent regulation by HUD (except for projects assisted with Section 8 contracts), rental increases may be made only with the approval of HUD. At any time HUD will consider a written request for a rental increase if such request is properly supported by substantiating evidence. Within a reasonable time HUD must either:

(1) approve an increase in the rental schedule to compensate for any net increase in taxes other than income taxes and in operating and maintenance expenses over which the mortgagor has no effective control. With respect to certain mortgage loans insured pursuant to Section 223(f) of the National Housing Act, HUD may approve an additional increase giving consideration to the debt associated with any subordinate mortgage on the project provided HUD determines that market conditions warrant an increase sufficient to amortize all or part of such subordinate mortgage on the project and that such an increase will not unduly jeopardize the economic stability of the project because of adverse effects on rent collections or vacancies; or

(2) deny the increase, stating the reasons therefor.

Rent increases for projects assisted with Section 8 contracts are governed by the provisions of the applicable Section 8 contract. Generally, projects insured under Sections 220 and 221(d)(4) of the National Housing Act are not subject to rent regulation by HUD, with certain project-by-project exceptions.

The Regulatory Agreement also contains provisions detailing requirements for tenant eligibility and enforcement mechanisms thereof, requiring nondiscrimination on account of children, race, color, religion, creed, sex or national origin, and permissible uses of, or changes to, the development. In particular, the Regulatory Agreement prohibits the conveyance, transference or encumbrance of the development or any right to manage the development without the prior written approval of HUD. The mortgagor may not make, receive, or retain any distribution of assets or income from the development except from "surplus cash" and only as permitted under the Regulatory Agreement and applicable laws.

The mortgagor is also prohibited, without the prior written approval of HUD, from remodeling, adding to or demolishing any part of the development or engaging in any other business or activity or incurring any obligation or liability not in connection with the development or requiring as a condition of occupancy of any unit a deposit greater than the prepayment of the first month's rent plus a security deposit of one month's rent or permitting the use of the development for any use except the use that was originally intended.

The development and all books, records, and documents relating thereto are required to be subject to examination and inspection at any reasonable time by HUD. Books and accounts of the development are to be kept in accordance with HUD requirements and complete annual financial reports are to be furnished to HUD within sixty (60) days of the end of each fiscal year.

In the event of a violation in the performance of the mortgagor's obligations under the Regulatory Agreement and the mortgagor's failure to cure such violation after receiving notice from HUD, even in the absence of a default under a mortgage note or a mortgage, HUD may (a) notify the HFA of such default and request the HFA to declare a default under the mortgage note and the mortgage, and the HFA may, at its option, declare the whole indebtedness due and thereupon proceed with foreclosure of the mortgage or assign the mortgage note and the mortgage to HUD, (b) collect all rents and charges in connection with the operation of the development and use such collections to pay the mortgagor's obligations under the Regulatory Agreement, the mortgage note and the mortgage and the expenses of maintaining the development, (c) take possession of and operate the development, and (d) apply for an injunction, appointment of a receiver or such other relief as may be appropriate.

The Regulatory Agreement provides that the mortgagor of the development assumes no personal liability for payments due under the related mortgage note and mortgage, for the reserve for replacements or for matters not under its control. The Regulatory Agreement does provide, however, that the mortgagor is liable for funds or property of the development in the possession of the mortgagor and which the mortgagor is not entitled to retain, and for the mortgagor's actions, or those of others which the mortgagor has authorized, in violation of the Regulatory Agreement.

Loss of FHA Insurance. The failure to maintain adequate casualty insurance on a development may result in the partial or full loss of the FHA Insurance benefits in the event of damage to or destruction of such development. FHA Insurance benefits may also be lost for failure to pay required FHA mortgage insurance premiums or failure to provide FHA with required notices. FHA Insurance benefits may also be denied if fraudulent statements were made to FHA by the HFA or by the mortgagor with the knowledge of the HFA.

The Section 236 Program

General. Pursuant to Section 236(b) of the National Housing Act ("Section 236"), the Secretary of HUD (the "Secretary") entered into certain contracts (each a "Section 236 Contract") to make periodic interest reduction payments to Section 236 mortgagees on behalf of the mortgagors of housing projects designed for occupancy by persons or families as described in Article 2 of the Private Housing Finance Law and families of low income. HUD's interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal and interest which a mortgagor is obligated to pay under its mortgage loan and the monthly payment for principal and interest a mortgagor would be obligated to pay if its mortgage loan were to bear interest at the rate of one per centum (1%) per annum. Under Section 236, interest reduction payments with respect to a project (the "HUD Payments") shall be made only during the period that such project is operated as a rental or cooperative housing project.

Termination of HUD Payments. HUD is obligated to make HUD Payments under a Section 236 Contract and may not terminate HUD Payments under a Section 236 Contract, except under the circumstances described below. If HUD Payments are terminated, the Secretary may reinstate them at his or her discretion pursuant to such additional requirements as the Secretary may prescribe. A Section 236 Contract may be terminated at the option of, and upon written notice from, the Secretary after the expiration of one year from the date of the termination of HUD Payments, unless such payments have been reinstated. **In the event HUD were to terminate HUD Payments in respect of a Section 236 Mortgage Loan, such terminated HUD Payments would not be available to pay debt service on such Section 236 Mortgage Loan, which could result in a default on such Mortgage Loan. Except for the Mortgage Loans financed in connection with the 2001 Series B Bonds, the Section 236 Mortgage Loans do not benefit from FHA Insurance.**

Acquisition by Ineligible Owner. HUD may terminate HUD Payments with respect to a Project if the Project is acquired by any owner who is not an eligible mortgagor under Section 236. Each Mortgagor has covenanted in the Section 236 Contract only to transfer such Project to an eligible Mortgagor approved by the Secretary and each Mortgagor has covenanted in the Mortgage not to transfer such Project without the consent of the Section 236 mortgagee. The Department of Housing and Urban Development Reform Act of 1989 (the "HUD Reform Act") made public entities eligible to be owners of projects receiving assistance under Section 236. Pursuant to the HUD Reform Act, the Corporation is an eligible Section 236 mortgagee. Transfer of a Project is also subject to the prior approval of HPD.

Excess Income. Pursuant to each Section 236 Contract, the Mortgagor is permitted to charge (i) a basic or subsidized rental charge for each subsidized dwelling unit in the Project (the “basic rent”), determined on the basis of the anticipated operating costs of the Project assuming the payment of principal and interest on a mortgage note bearing interest at the rate of 1% per annum and an amortization period of fifty (50) years, and (ii) a fair market rental charge for each such unit, determined on the basis of the anticipated operating costs of the Project assuming payment of principal and interest at the unsubsidized mortgage rate (the “market rent”). The rent charged for each subsidized unit (the “tenant rent”) is the greater of the basic rent or thirty per centum (30%) of the tenant’s adjusted monthly income, but in no event may the Mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Under each Section 236 Contract, the Section 236 mortgagee and HUD must approve all rent increases.

Each Section 236 Contract provides that the Mortgagor shall pay monthly to HUD all rental charges collected in excess of the basic rental charges for all occupied units (“Excess Income Payments”). In a notice issued by HUD on January 4, 1991 with respect to all mortgagors subject to Section 236 Contracts, HUD stated that it would implement strict enforcement actions against an owner of a project who does not remit excess rental amounts. This notice states that HUD should attempt to recover Excess Income Payments if the affected mortgagor does not make a lump sum payment or enter into a repayment schedule with HUD through the following actions listed in order of priority: use of the project’s residual receipts, repayment of distributions, surplus cash and finally, project income. Among HUD’s numerous potential remedies against the affected mortgagors are suspension of interest reduction payments. No assurance can be given regarding which remedies, if any, HUD will utilize against affected mortgagors in the event HUD seeks to affirmatively enforce the collection of Excess Income Payments.

Prior to April 1996, mortgagors were permitted to calculate the amount of Excess Income Payments payable to HUD on a project-wide basis, which enabled mortgagors to use Excess Income Payments to offset collection losses from nonpaying tenants. Section 236 was amended to require that, beginning in 1996, Excess Income Payments must be remitted to HUD on a unit-by-unit basis, thus precluding the ability of mortgagors to use such Excess Income Payments to offset collection losses and potentially reducing the income available to the projects. As authorized by the 1999 Act and subsequent legislation, projects that are assisted under Section 236 are permitted to retain some or all of such excess income for project use if authorized to do so by HUD.

Certain Mortgagor Covenants. Each Mortgagor has covenanted in the Section 236 Contract to limit admission to the subsidized dwelling units in the Project to those families whose incomes do not exceed the applicable limits approved by the Section 236 mortgagee or the Secretary, with the exception of those tenants who agree to pay fair market rent. The Section 236 Contracts contain other covenants relating to the preference for occupancy for certain displaced or low income families, the compliance with applicable civil rights laws prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and the number of subsidized units which may be rented to any one tenant at any one time. The Secretary has the authority to suspend or terminate HUD Payments at any time upon default by a Mortgagor under any of such covenants as well or upon any other default by a Mortgagor or the Section 236 mortgagee under the terms and conditions of the Section 236 Contract.

Set-Off Rights of the United States. Payments under a Section 236 Contract duly and properly paid and actually received by or on behalf of the Corporation have been pledged to the Trustee as part of the security for the Bonds, and the Corporation is obligated to deliver to the Trustee all such payments upon receipt. Under federal law, the United States Government has the right to set-off liabilities to the United States against the amounts payable under a Section 236 Contract. The Corporation does not believe it has any liabilities to the United States which would result in any set-off against such payments for those projects where it is the Section 236 mortgagee. The set-off right of the United States described above applies only to payments under a Section 236 Contract which have not actually been paid by HUD. Once payments under a Section 236 Contract are received by the Corporation and delivered to a trustee, they cannot be subjected to repayment to the United States by such trustee. However, in the case of excessive payments under a Section 236 Contract, the Section 236 mortgagee would remain obligated to refund to the Secretary the amount which was overpaid, and such liabilities could be offset against future payments under the Section 236 Contract.

Section 236, the rules, regulations and directives promulgated pursuant thereto and the Section 236 Contracts, do not contain any express requirement that any savings which result from a reduction in the Corporation's cost of borrowing due to a refunding of its obligations issued to finance a mortgage loan must be used to lower the interest rate on the mortgage loan and thereby to reduce HUD Payments. Consequently, the Corporation did not reduce the interest rate on the applicable Section 236 Mortgage Loans as a result of the issuance of the 1996 Series A Bonds. Based on the foregoing, the Corporation does not believe that HUD or any other party is entitled to all or a portion of the Corporation's debt service savings that result from the issuance of the 1996 Series A Bonds. Similarly, the Corporation does not believe that HUD or any other party is entitled to any amounts received by the Corporation as a result of the redemption of: (i) the Corporation's bonds that originally financed the Knickerbocker Plaza Development related to the Additional Mortgage Loan contributed in connection with the issuance of the 1999 Series A Bonds and (ii) the Corporation's bonds that originally financed the developments related to the Mortgage Loans contributed in connection with the issuance of the 2001 Series B Bonds. However, no assurance can be provided that HUD will not assert a right to reduce the amount of payments payable under the applicable Section 236 Contracts based upon the issuance of the 1996 Series A Bonds and/or the 2001 Series B Bonds and/or the aforesaid redemptions. If such a right is asserted, HUD could take certain actions including attempting to reduce payments under the applicable Section 236 Contracts.

Prepayment of Mortgage Loan. Each Mortgagor covenanted in the applicable Section 236 Mortgage Loan documents not to prepay such Mortgage Loan prior to 20 years from the date the Project was occupied. Each such Mortgage Loan permits the Mortgagor to prepay such Mortgage Loan at any time after such date. Based on the Projects' certificates of occupancy, the period during which prepayment is prohibited under the Section 236 Mortgage Loans has ended and the Section 236 Mortgage Loans may be prepaid. Following such prepayment the Mortgagor is subject to certain restrictions on the Mortgagor's ability to evict, or raise the rents on units leased to, certain low income, elderly or handicapped tenants. In addition, projects regulated pursuant to the Mitchell-Lama Law are subject to additional prepayment provisions. See "The Mitchell-Lama Program—Prepayment of Mortgage" below. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds at any time.

Habitability. Under the terms of certain Section 236 Contracts, HUD may adjust subsidy payments in the event a subsidized unit is destroyed or otherwise rendered not habitable for any reason unless such unit is restored or rehabilitated within a reasonable time or unless an unsubsidized unit is designated in its place.

Transfer of Mortgage Loan. Each Section 236 Contract provides that the corresponding Section 236 Mortgage Loan may only be assigned, including any assignment or reassignment between the Corporation and the Trustee, with HUD's prior written approval. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans."

HPD Supervision. Each Project was constructed and is operated as a limited-profit housing project or a cooperative in accordance with Article 2 of the New York Private Housing Finance Law also known as the "Mitchell-Lama Law." For more information on the Mitchell-Lama Law, see "The Mitchell-Lama Program" below.

The Section 8 Program

General. The following is a brief description of the housing assistance payments program authorized by Section 8 of the United States Housing Act of 1937, as amended (the "1937 Housing Act"), which is qualified in its entirety by references to the applicable provisions of said Act and the regulations thereunder (the "Regulations").

The Section 8 program is administered by HUD and authorizes subsidy payments to the owners of qualified housing for the benefit of lower income families (defined generally as families whose income does not exceed 80% of the median income for the area as determined by HUD) and very-low income families (defined generally as families whose income does not exceed 50% of the median income for the area as defined by HUD). Provision is made under the 1937 Housing Act and HUD regulations thereunder for administration of the Section 8 program through state or local housing finance agencies, as contract administrator (the "Contract Administrator"). Under this arrangement, the Contract Administrator agrees to pay the subsidy to or for the account of the mortgagor and concurrently contracts with HUD for payments of the subsidy by HUD to it. Pursuant to amendments to the 1937 Housing Act effected by the Housing and Community Development Amendments of 1981 (the "1981 Amendments"), not more than 25% of the dwelling units which were available for occupancy under HAP Contracts before the October 1, 1981 effective date of the 1981 Amendments and which are leased thereafter shall be available for leasing by lower income families other than very-low income families; and not more than 15% of the dwelling units which become available for occupancy under HAP Contracts after the effective date of the 1981 Amendments shall be available for leasing by lower income families other than very-low income families. Recent legislation also requires that not less than 40% of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed 30% of area median income (as determined by HUD and adjusted for family size) at the time of admission. The housing assistance payments generally represent the difference between the "contract rents" (plus estimated utility allowances, where utility costs are paid directly by tenants, and an administrative fee, hereinafter described, where applicable) for all eligible units in a development, as approved by HUD from time to time, and the eligible tenant's contributions, which is generally 30% of such tenant's income, as adjusted for family size, income and expenses, with certain adjustments, although each assisted family is generally required to pay a minimum rent of between \$25

and \$50 per month. The contract rents for a development are generally limited to the “fair market rents” established by HUD as reasonable in relation to rents for comparable units in the area.

Subsidy Contracts. The payment of subsidies under the Section 8 program is made pursuant to two contracts entered into with respect to each development assisted under such program: an annual contributions contract (the “ACC”) between HUD and the Contract Administrator, and the HAP Contract between the Contract Administrator and the owner. The ACC obligates the United States to provide funds to the Contract Administrator with which to make monthly housing assistance payments to the owner pursuant to a HAP Contract. The Corporation is the Contract Administrator for all but twenty-four (24) of the Section 8 Developments; with respect to which twenty-four (24) Developments, HPD is the Contract Administrator.

The ACC establishes the maximum annual amount of the housing assistance payments to be made by HUD for the account of the mortgagor of a development. This amount may not exceed the total of the initial contract rents and utility allowances for the eligible units in a development and any administrative fee. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, some or all of the excess (including an amount equal to the portion of the contract rents payable by the tenants) is required to be set aside by HUD in a “project account” for the particular development and will be available in future years to fund increases in contract rents for the development, decreases in family incomes or other costs authorized or approved by HUD. In the event that previously appropriated amounts are not sufficient to meet HUD’s contractual obligations to the Section 8 Developments, HUD is required by applicable Section 8 provisions to take such additional steps authorized by subsection (c)(6) of Section 8 of the 1937 Housing Act as may be necessary to obtain funds to assure that payment will be adequate to cover increases in contract rents and decreases in tenant payments. Under subsection (c)(6) of Section 8: “[t]he Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.” In practice, HUD has sought and received amendment authority from Congress sufficient to enable it to discharge its obligations under the HAP Contracts and the ACCs. The Corporation currently is experiencing a decline in the amount of funds available to certain of the Section 8 Developments owing to automatic increases in rental subsidies under the terms of the HAP Contracts associated with such Developments. Consistent with applicable law and regulations, the Corporation expects that HUD will amend the contracts for such Developments to provide additional funds as needed.

The HAP Contract provides for housing assistance payments with respect to a dwelling unit covered by the HAP Contract on the condition that such unit is maintained according to the requirements of the HAP Contract and is occupied by an eligible tenant. An ACC remains in effect for as long as a HAP Contract is in effect.

Amount and Payment of Subsidy. Section 8 subsidies available for debt service on the Bonds are based upon the contract rent applicable to specified dwelling units. The contract rent is initially based on the fair market rent for the dwelling unit, which is determined by HUD periodically with respect to each locality and published in the Federal Register. The proportion of the contract rent paid by HUD and that paid by tenants will vary generally depending upon tenant income.

Adjustment of Subsidy Amounts. Each HAP Contract provides for certain adjustments in contract rents. At least annually, HUD publishes an Annual Adjustment Factor (“AAF”), which is intended to reflect changes in the fair market rent established in the housing area for similar types and sizes of dwelling units; interim revisions may be made where market conditions warrant. Upon request from the owner to the Corporation, the AAF is applied on the anniversary date of each HAP Contract to contract rents, *provided* that no adjustment shall result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units except to the extent that the differences existed with respect to the contract rents set at HAP Contract execution or cost certification where applicable. (The difference that existed between the contract rent for a unit at HAP Contract execution and the rent on comparable unassisted units is generally referred to by HUD as the “initial difference” in contract rents.) In addition, provision is made in the regulations for special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, assessments, utility rates and utilities not covered by regulated rates, if the owner demonstrates that the automatic annual adjustments have not provided adequate compensation. Under current law (Section 8(c)(2)(C) of the 1937 Housing Act), “[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under the section ... unless the project has been refinanced in a manner that reduces the periodic payments of the owner.”

Notwithstanding the foregoing, if the contract rents for a development exceed the applicable HUD fair market rents, then contract rents cannot be increased beyond comparable market rents (plus the initial difference) as determined by independent appraisals of at least three comparable local developments submitted by the owner. In addition, the AAFs for Section 8 units which experienced no turnover in tenants since their preceding HAP Contract anniversary date shall be one percentage point less than the AAFs that would otherwise apply.

If a HAP Contract has been renewed upon or subsequent to its expiration, the renewal contract will, in most cases, provide for annual adjustments in contract rents based upon an Operating Cost Adjustment Factor (OCAF). The OCAF is intended to reflect increases in the cost of operating comparable rental properties, which may or may not correspond to circumstances affecting a particular Section 8 Development. HAP Contracts renewed for terms longer than one year will be subject to Congressional appropriations, which may not be available. In addition, the prohibition on adjustments that would lower contract rents, explained further above, does not apply to HAP Contracts upon renewal following expiration.

Vacancies and Debt Service. Generally, the Section 8 subsidy is payable with respect to the dwelling unit only when it is occupied by a qualified person or family. However, applicable law and regulations provide for payment of the subsidy under certain circumstances and, for a limited period of time, when the dwelling unit is not occupied. Upon the occurrence of a vacancy in a dwelling unit, a subsidy amounting to 80% of the contract rent is payable for a vacancy period of 60 days subject to compliance by the mortgagor with certain conditions relating primarily to a diligent effort to rent the subsidized unit. The payment of a subsidy with respect to a dwelling unit vacant after initial rent-up may continue for an additional 12 months from the expiration of the 60-day period in an amount equal to the principal and interest payments required to amortize the debt service attributable to the vacant unit, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. Such continued payments also require the mortgagor to show that project costs exceed revenues, a good faith effort is being made to fill the unit and the additional subsidy payments do not exceed the deficiency

attributable to the vacant units. With respect to the Section 8 Developments receiving subsidies pursuant to the Section 8 Moderate Rehabilitation Program, vacancy payments are only available for a maximum period of 60 consecutive days.

Compliance With Subsidy Contracts. The ACC and the HAP Contract each contain numerous agreements on the part of the Contract Administrator and the owner concerning, among other things, maintenance of the development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as non-discrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which non-compliance by the owner may result in abatement by HUD or the Contract Administrator, as the case may be, of the payment of the federal subsidy, in whole or in part.

Housing assistance payments will continue as long as the owner complies with the requirements of the HAP Contract and has leased the assisted units to an eligible tenant or satisfies the criteria for receiving assistance for vacant units. The Contract Administrator, which has primary responsibility for administering each HAP Contract subject to review and audit by HUD, subject to an opportunity by the mortgagor to cure any default under the HAP Contract, may abate housing assistance payments and recover overpayments pending remedy of the default. If the default is not cured, the Contract Administrator may terminate the HAP Contract or take other corrective action, in its discretion or as directed by HUD. HUD has an independent right to determine whether the owner is in default and to take corrective action and apply appropriate remedies.

If HUD determines that the Contract Administrator has failed to fulfill its obligations, HUD may, after notice to the Contract Administrator giving it a reasonable opportunity to take corrective action, require that the Contract Administrator assign to it all rights under the HAP Contract.

The REMIC Insurance Program

General. REMIC was created in January 1993 as a public benefit corporation of the State under Section 654-d of the New York Private Housing Finance Law (the "REMIC Act"). The REMIC Act also established REMIC as a subsidiary of the Corporation. REMIC is the successor to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC") which was in operation from 1973 until January 1993 when REMIC assumed all of Old REMIC's obligations, including its contracts of insurance and commitments to insure mortgages.

REMIC consists of nine members, seven of whom are the members of the Corporation plus two additional members who are appointed by the Mayor of the City. The Chairperson of the Corporation is also the Chairperson of REMIC. The powers of REMIC shall be vested in and exercised by no less than five members. REMIC may delegate to one more of its members, officers, agents or employees such powers and duties as it deems proper. The officers and staff of REMIC are all employees of the Corporation. The REMIC Act prohibits REMIC from issuing a commitment to insure a mortgage loan made by the Corporation unless such commitment is approved by at least two members of a three member committee composed of the Chairperson and the two members of REMIC who are not members of the Corporation.

Purposes and Powers. REMIC's purpose is to insure mortgage loans in order to promote the preservation of neighborhoods in New York City which are blighted, are becoming blighted or may become blighted; to discourage disinvestment and encourage investment of mortgage capital in such neighborhoods; and to provide safe, sanitary and affordable housing accommodations to persons and families for which the ordinary operations of private enterprise cannot supply such accommodations. In furtherance of its corporate purpose, REMIC is authorized to enter into commitments to insure mortgages and contracts of insurance, and fulfill its obligations and enforce its rights under any insurance so furnished, including any contracts of insurance of Old REMIC.

REMIC is empowered to insure permanent first mortgage loans made by financial institutions for multi-family housing accommodations, one to four family homes, and emergency, transitional or shelter housing ("Shelter Housing") located in the City of New York. This includes multi-family rental and cooperative buildings, owner-occupied one to four family homes, cooperative units, condominium units, Shelter Housing and mixed-use buildings, provided that with respect to mixed-use buildings containing more than 6 dwelling units and Shelter Housing, the above-ground commercial space must contain less than 25% of the total above-ground square footage of the insured property. REMIC insurance coverage (the "Coverage Percentage") is limited by property type and loan type. Lenders can obtain up to 50% coverage on preservation loans (i.e. refinancing and/or acquisition loans), up to 75% on rehabilitation loans (i.e. permanent loans which replace construction or rehabilitation financing) and up to 100% on preservation or rehabilitation loans made by a public employee pension system or another public benefit corporation, including the Corporation, when such loan is funded with the proceeds of a bond issue.

REMIC Funds. The REMIC Act establishes a housing insurance fund (the "HIF"), a mortgage insurance fund (the "REMIC MIF") and a REMIC premium reserve fund ("PRF"). REMIC is required to maintain the HIF to serve as a revolving fund for carrying out the provisions of the REMIC Act with respect to housing insurance contracts entered into by REMIC. The HIF requirement, as of any particular date of computation, is equal to an amount of money or cash equivalents equal to the aggregate of (a) the insured amounts of loans due and payable as of such date pursuant to its housing insurance contracts, plus (b) an amount equal to 20% of the insured amounts under REMIC's housing insurance contracts (other than insured amounts due and payable pursuant to clause (a) above) plus 20% of the amounts to be insured under REMIC's commitments to insure. Increases to the HIF are funded solely from monies from the PRF. The term "cash equivalent" means a letter of credit, insurance policy, surety, guarantee, indemnity or other security arrangement.

The REMIC Act provides that no monies shall be withdrawn from the HIF at any time in such amount as would reduce the amount in the HIF to less than the HIF requirement, except for the purpose of paying liabilities arising from housing insurance contracts as they come due and for the payment of which other monies are not available.

As of March 31, 2003, the HIF's total liability against commitments and against housing insurance contracts in force was \$108,440,228. As of March 31, 2003, the HIF had a total loan amount on outstanding commitments and housing insurance contracts in force of \$265,869,519 on 179 multi-family housing properties and thirty-nine (39) single family properties. As of March 31, 2003, the HIF was funded in cash or marketable securities in an amount at least equal to the HIF requirement.

REMIC is also required to maintain the REMIC MIF which serves as a revolving fund for carrying out the provisions of Old REMIC's commitments to insure and insurance contracts which are known as "mortgage insurance contracts" rather than "housing insurance contracts." The REMIC MIF requirement, as of any particular date of computation, is equal to an amount of money equal to the aggregate of (a) the insured amounts of loans due and payable as of such date pursuant to its mortgage insurance contracts plus (b) an amount equal to the greater of \$7,500,000 or 20% of the insured amounts under REMIC's mortgage insurance contracts (other than insured amounts due and payable pursuant to clause (a) above) plus 20% of the amounts to be insured under Old REMIC's commitments to insure; provided, however, the REMIC MIF requirement will be decreased to an amount equal to the aggregate of (x) the amounts due and payable or insured under mortgage insurance contracts and (y) the amounts to be insured under Old REMIC commitments, when the total of such amounts is less than \$7,500,000. Increases to the REMIC MIF are funded solely from monies from the PRF.

The REMIC Act provides that no monies shall be withdrawn from the REMIC MIF at any time in such amount as would reduce the amount in the REMIC MIF to less than the REMIC MIF requirement, except for the purpose of paying liabilities arising from mortgage insurance contracts as they become due and for the payment of which other monies are not available.

As of March 31, 2003, the REMIC MIF's total liability against mortgage insurance contracts in force was \$2,656,500. As of March 31, 2003, the REMIC MIF had a total loan amount on outstanding commitments and mortgage insurance contracts in force of \$4,250,656 on 39 properties. As of March 31, 2003, the REMIC MIF was funded in an amount at least equal to the REMIC MIF requirement.

REMIC also maintains the PRF to provide for payment of REMIC's liabilities arising from its operations, its housing insurance contracts and its mortgage insurance contracts. All monies deposited in the PRF, whether from earned premiums, investment income or other sources, represent the excess over the REMIC MIF and HIF requirements. If the amounts in the HIF and the REMIC MIF are below their respective requirements, amounts in the PRF are available to restore these funds to their requirements. As of March 31, 2003 the PRF totaled approximately \$3,833,277.

Claims for Loss. As of March 31, 2003, Old REMIC and the REMIC MIF had paid a total of eleven (11) claims for loss on insurance policies under its mortgage insurance coverage in the aggregate amount of \$580,951. As of March 31, 2003, the REMIC MIF had three (3) mortgage insurance policies in force on which claims for loss had been or were expected to be submitted with a maximum potential loss of \$101,560. As of March 31, 2003, the HIF had neither paid claims for loss nor had any policies in force on which claims for loss had been submitted.

The claims-paying ability of the HIF is rated "AA" and "AA-" by S&P and Fitch, Inc., respectively. The REMIC MIF and the PRF are not rated by any recognized rating agency. Such ratings reflect only the respective views of such rating agencies, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that either or both of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgement, circumstances so warrant.

The payment of principal and interest on the Bonds is not secured by or payable from monies held in the HIF, the REMIC MIF or the PRF, and REMIC is not liable on the Bonds. The REMIC Act provides that all amounts in the HIF, with certain exceptions, shall be used solely for the payment of its liabilities arising from housing insurance contracts. Only monies in the HIF and the PRF will be available to REMIC for payment of REMIC's liabilities under the REMIC Insurance. There are no other dedicated sources of revenue to pay for the insurance obligations of REMIC. There can be no assurance that the amounts on deposit in the HIF and PRF will not be depleted through payment of liabilities arising with respect to insured mortgage loans other than REMIC-insured Mortgage Loans.

The audited financial statements of REMIC for the fiscal year ended October 31, 2002 are included in the audited financial statements of the Corporation for the fiscal year ended October 31, 2002 which are contained in Appendix B to this Official Statement. Copies of the Annual Report of the Corporation, which includes information on REMIC, are available from REMIC at 110 William Street, New York, New York 10038, telephone: (212) 227-5500, or through its internet address: www.nychdc.org/subsidiaries/REMIC.htm.

Benefits for the Mortgage Loans secured or expected to be secured by REMIC Insurance under HIF. The REMIC Master Policy of Insurance (the "REMIC Policy"), which covers a specified percentage of the original Mortgage Loan amount for each insured Mortgage Loan on a first loss basis, requires each insured lender benefitting from REMIC Insurance (an "Insured") to notify REMIC within 45 days after a payment default by a Mortgagor on an insured Mortgage Loan and to provide various additional notices during the period of default. When a Mortgagor fails to pay a total aggregate amount equal to four regular monthly payments of principal and interest, and any escrow payments due under the terms of an insured Mortgage Loan, disregarding any waivers or extensions by the Insured (termed "Four Months in Default" under the REMIC Policy), and assuming such notices have been timely submitted and other preconditions have been met, the Insured may make a claim for REMIC Insurance benefits.

Upon receipt of a notice of default under an insured Mortgage Loan, REMIC has the right to purchase the Mortgage Loan from the Insured for a price equal to the unpaid principal balance thereof and all "Allowed Costs" (defined to mean delinquent interest, taxes, attorney fees and the like) not previously reimbursed by REMIC. Thereafter, REMIC is to receive an assignment of the Mortgage Loan and all reserves held for the credit of the related Development. The Insured may also request, if the Mortgage Loan is Four Months in Default, that REMIC enter into (i) a periodic payment plan lasting no more than two years during which time the Insured is to receive from REMIC on a quarterly basis the amounts due on the Mortgage Loan net of the operating income from the Development assigned by the Mortgagor to the Insured, or (ii) where there is no reasonable expectation that there will be a cure of the Mortgage Loan default, a lump sum payment agreement requiring payment by REMIC to the Insured of an amount equal to the average of two quoted market valuations of the property plus the Coverage Percentage of Allowed Costs. At the end of the two year periodic payment plan period, any additional insurance benefits due to the Insured are to be paid by REMIC. In the case of both a periodic payment plan and a lump sum payment plan, total insurance benefits paid may not exceed the lesser of (x) the Coverage Percentage of the full Claim for Loss (defined below), or (y) the Coverage Percentage of the Mortgage Loan principal amount as initially insured.

Unless the related Mortgage Loan is purchased by REMIC, or a periodic payment plan or lump sum payment plan has been executed, as described above, the Insured is required by the REMIC Policy to commence proceedings to obtain title to the Development when the insured Mortgage Loan becomes Four Months in Default (although the Insured is free to commence such proceedings upon any default). However, upon consent of REMIC or satisfaction of certain other conditions, actions, including foreclosure proceedings, may be undertaken in which title to the property will pass to a third party.

In the event that the Insured obtains title to the Development, the Insured may present a claim under the REMIC Insurance and REMIC, at its option, will pay insurance benefits in either of the following amounts:

(a) the full "Claim for Loss," consisting of the Mortgage Loan principal balance as of the date of default and Allowed Costs but net of reserves held for the Development and net of any portion of the claim attributable to Insured fault or previously reimbursed to the Insured, in which case title to the Development is to be transferred to REMIC, or

(b) a percentage of the full Claim for Loss equal to the Coverage Percentage thereof, but not in excess of the Coverage Percentage of the Mortgage Loan principal amount as initially insured, in which case the Insured is to retain title to the Development.

If proceedings are undertaken in which title to the property passes to a third party, the Insured may claim under the REMIC Insurance for payment of the full Claim for Loss, net of the amounts realized by the Insured from such proceedings, but never in excess of the Coverage Percentage of the Mortgage Loan principal amount as initially insured.

For specific information on the coverage provided by REMIC Insurance, reference should be made to the applicable REMIC commitment and the Master Policy issued by REMIC, which are available at the offices of the Corporation.

The REMIC Insurance may terminate pursuant to its terms upon the occurrence of certain events including, without limitation, the nonpayment of renewal premium, the material modification of the Mortgage without the prior written approval of REMIC, and the disposal of property or collateral securing the Mortgage Loan prior to the final settlement of a claim for loss.

With respect to the Mortgage Loans insured or expected to be insured by REMIC, amounts in the HIF are available, and amounts in the REMIC MIF and the PRF are not available, to pay any liability incurred by REMIC with respect to such Mortgage Loans.

As of March 31, 2003, twenty-six (26) Mortgage Loans under the Program, with an aggregate outstanding Mortgage Loan balance of \$144,405,307, are partially insured by REMIC.

REMIC makes no representation as to the contents of this Official Statement other than this section, the suitability of the 2003 Bonds for any investor, the feasibility of the Developments or compliance with any securities or tax laws and regulations which may relate to the issuance and sale of the 2003 Bonds.

REMIC's role is limited to providing the coverage set forth in the REMIC Insurance.

The SONYMA Insurance Program

General. The State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended (the “SONYMA Act”), authorizes SONYMA, a public benefit corporation of the State, among other things, to enter into commitments to insure mortgages and contracts of mortgage insurance and to fulfill its obligations and enforce its rights under any insurance so furnished. Part II of the SONYMA Act, authorizing the mortgage insurance program, was adopted by the State Legislature in 1978 to encourage financial institutions to make mortgage loans in neighborhoods suffering from disinvestment by providing mortgage insurance to minimize the investment risk. In 1989, the SONYMA Act was amended to authorize SONYMA to provide insurance for a loan or pool of loans (a) when the property is located in an “economic development zone” as defined under State law, (b) when the property will provide affordable housing, (c) when the entity providing the mortgage financing was or is created by local, State or federal legislation, and certifies to SONYMA that the project meets the program criteria applicable to such entity or (d) when the property will provide a retail or community service facility that would not otherwise be provided. The Mortgage Loans currently insured by SONYMA (the “SONYMA Mortgage Loans”) are insured under the SONYMA Act. The 2003 Series B Mortgage Loans, the 2003 Series C Mortgage Loan and the 2003 Series D Mortgage Loans are not currently eligible for insurance under the SONYMA Act.

The SONYMA Act authorizes SONYMA to create a mortgage insurance fund (the “SONYMA Mortgage Insurance Fund”). The SONYMA Mortgage Insurance Fund is used as a revolving fund for carrying out the provisions of the SONYMA Act with respect to mortgages insured thereunder. The Bonds, including the 2003 Bonds, are not secured by monies held in the SONYMA Mortgage Insurance Fund and SONYMA is not liable on the Bonds, including the 2003 Bonds. The SONYMA Act provides that all monies held in the SONYMA Mortgage Insurance Fund, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA pursuant to the SONYMA Act. Only monies in the SONYMA Mortgage Insurance Fund will be available to SONYMA for payment of SONYMA’s liabilities under the SONYMA mortgage insurance policies for the SONYMA Mortgage Loans (the “SONYMA Insurance”).

The SONYMA Act establishes within the SONYMA Mortgage Insurance Fund a special account (the “Special Account”), a single family pool insurance account with respect to insurance related to one to four dwelling units (the “Single Family Pool Insurance Account”) and a project pool insurance account with respect to insurance on other properties (the “Project Pool Insurance Account”). The SONYMA Mortgage Loans are insured by SONYMA under the Project Pool Insurance Account. The SONYMA Act provides that assets of the Special Account, the Single Family Pool Insurance Account and the Project Pool Insurance Account shall be kept separate and shall not be commingled with each other or with any other accounts which may be established from time to time, except as authorized by the SONYMA Act. The claims-paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the SONYMA Mortgage Insurance Fund are rated “Aa1” and “Aaa,” respectively, by Moody’s Investors Service. The claims-paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the SONYMA Mortgage Insurance Fund are rated “A+” and “AA+,” respectively, by Fitch, Inc. Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment,

circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds, including the 2003 Bonds. These ratings were established subsequent to SONYMA's change in its procedures to now require that reserves established with respect to project primary insurance it provides be deposited to the Project Pool Insurance Account. The payment of principal of and interest on the Bonds, including the 2003 Bonds, is not secured by or payable from monies held in the Project Pool Insurance Account. The SONYMA Act provides that all monies held in the Project Pool Insurance Account, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA pursuant to the SONYMA Act.

The SONYMA Mortgage Insurance Fund is funded primarily by a surtax on the State mortgage recording tax. Section 253(1-a) of the State Tax Law (the "State Tax Law") imposes a surtax (the "Tax") on recording mortgages of real property situated within the State. Excluded from the Tax are, among others, recordings of mortgages executed by voluntary nonprofit hospital corporations, mortgages executed by or granted to the Dormitory Authority of the State of New York and mortgages, wherein the mortgagee is a natural person, on mortgaged premises consisting of real property improved by a structure containing six or fewer residential dwelling units, each with separate cooking facilities. The Tax is equal to \$0.25 for each \$100 (and each remaining major fraction thereof) of principal debt which is secured by the mortgage. Section 261 of the State Tax Law requires the respective recording officers of each county of the State, on or before the tenth day of each month, after deducting certain administrative expenses incident to the maintenance of their respective recording offices, to pay SONYMA for deposit to the credit of the SONYMA Mortgage Insurance Fund the portion of the Tax collected by such counties during the preceding month, except that: (i) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the counties comprising the Metropolitan Commuter Transportation District on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the Metropolitan Transportation Authority; (ii) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the County of Erie on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the State Comptroller for deposit into the Niagara Frontier Transportation Authority light rail rapid transit special assistance fund; and (iii) Taxes paid upon mortgages covering real property situated in two or more counties shall be apportioned by the State Tax Commission among SONYMA, the Metropolitan Transportation Authority and the Niagara Frontier Transportation Authority, as appropriate.

Mortgage recording taxes have been collected in the State for more than 75 years. SONYMA has been entitled to receive Tax receipts since December 1978. Under existing law, no further action on the part of the State Legislature is necessary for the SONYMA Mortgage Insurance Fund to continue to receive such monies. However, the State is not bound or obligated to impose, or to impose at current levels, the mortgage recording taxes described above or to direct the proceeds to SONYMA as currently provided. The SONYMA Mortgage Insurance Fund's receipt of Tax receipts is dependent upon the performance by the county recording officers of their collection and remittance obligations; the State Tax Commission is given general supervisory power over such officers. Tax receipts paid to the SONYMA Mortgage Insurance Fund in calendar years 1998, 1999, 2000, 2001 and 2002 were approximately \$68 million, \$74 million, \$66 million, \$84 million and \$83 million, respectively.

The SONYMA Act provides that SONYMA must credit the amount of money received from the recording officer of each county to the Special Account. The SONYMA Act provides that SONYMA may credit from the Special Account to the Single Family Pool Insurance Account or the Project Pool Insurance Account, such moneys as are needed to satisfy the mortgage insurance reserve requirement of the Single Family Pool Insurance Account or the Project Pool Insurance Account, respectively. The SONYMA Act also provides that if at any time the monies, investments and cash equivalents (valued as determined by SONYMA) of the Single Family Pool Insurance Account or the Project Pool Insurance Account exceed the amount necessary to attain and maintain the credit rating required to accomplish the purposes of either of such Accounts, SONYMA shall transfer such excess to the Special Account. Any excess in the Special Account is required to be remitted to the State annually. The SONYMA Act provides that no monies shall be withdrawn from the SONYMA Mortgage Insurance Fund at any time in such amount as would reduce the amount in such Fund to less than the Mortgage Insurance Fund Requirement (as such term is defined in the SONYMA Act), except for the purpose of paying liabilities as they become due and for the payment of which other monies are not available. There can be no assurance that the amounts on deposit in the Special Account, the Single Family Pool Insurance Account or the Project Pool Insurance Account will not be depleted through payment of liabilities arising with respect to insured mortgage loans other than the SONYMA Mortgage Loans.

The Mortgage Insurance Fund Requirement as of any particular date of computation is equal to an amount of money or cash equivalents equal to the aggregate of (a) the insured amounts of loans that SONYMA has determined to be due and payable as of such date pursuant to its contracts to insure mortgages plus (b) an amount equal to twenty per centum of the amounts of loans insured under SONYMA's insurance contracts plus twenty per centum of the amounts to be insured under SONYMA's commitments to insure less the amounts payable pursuant to clause (a) above; provided, however, that if the board of directors of SONYMA shall have established a different per centum for a category of loans pursuant to the SONYMA Act, such per centum shall be substituted for twenty per centum in clause (b) above. Pursuant to the SONYMA Act, the board of directors of SONYMA may, from time to time, establish a Mortgage Insurance Fund Requirement in an amount higher than the twenty per centum set forth above. In March 2001, the board of directors of SONYMA authorized a SONYMA Mortgage Insurance Fund Requirement of forty per centum for special needs facilities. There can be no assurance that, in the future, there will not be additional changes in the Mortgage Insurance Fund Requirement for any category of loans.

The SONYMA Mortgage Insurance Fund provides primary mortgage insurance for various types of properties, including single and multi-family residences, special needs facilities, and retail and community service facilities. Since 1989, the SONYMA Mortgage Insurance Fund has been providing pool insurance (the "Single Family Pool Insurance") for mortgages that SONYMA financed pursuant to its single family forward commitment programs. The SONYMA Mortgage Insurance Fund currently provides pool insurance coverage on certain mortgage loans purchased with proceeds of certain of SONYMA's bonds.

As of March 31, 2003, the SONYMA Mortgage Insurance Fund's total liability against commitments and against policies in force was \$2,225,494,419 of which \$1,635,396,626 was against project mortgage insurance commitments and policies in force, the balance of \$590,097,793 being against single family primary and pool insurance commitments and policies in force. As of March 31, 2003, the SONYMA Mortgage Insurance Fund had a total loan amount on outstanding commitments and policies in force of \$8,680,876,853 of which \$1,848,497,109 represented the total loan amount on outstanding

project mortgage insurance commitments and policies in force, the balance of \$6,832,379,744 being the total loan amount on outstanding single family primary and pool insurance commitments and policies in force.

As of March 31, 2003, the Project Pool Insurance Account had paid 33 project mortgage insurance claims for loss in the aggregate amount of \$39,673,172. As of March 31, 2003, the SONYMA Mortgage Insurance Fund had 13 project mortgage insurance policies in force on which claims for loss had been submitted. SONYMA estimates that its total liability thereon is \$140,645,726. As of March 31, 2003, the SONYMA Mortgage Insurance Fund had paid 761 single family primary and pool mortgage insurance claims for loss in the aggregate amount of \$18,113,621.

In addition to the mortgage insurance program, the SONYMA Act authorizes SONYMA to purchase and make commitments to purchase mortgage loans on single-family (one- to four-unit) housing and home improvement loans from certain lenders in the State. The SONYMA Act also empowers SONYMA to make and purchase certain student loans. SONYMA may issue its bonds to finance said purposes.

Copies of SONYMA's Annual Report for the fiscal year ended October 31, 2002 and audited financial statements for the fiscal year ended October 31, 2002 are available from the State of New York Mortgage Agency, 641 Lexington Avenue, New York, New York 10022, telephone: (212) 688-4000.

SONYMA makes no representation as to the contents of this Official Statement (other than this section), the suitability of the 2003 Bonds for any investor, the feasibility of the Developments, including the 2003 Series B Developments, the 2003 Series C Development and the 2003 Series D Developments, or compliance with any securities or tax laws and regulations which may relate to the issuance and sale of the 2003 Bonds.

SONYMA's role is limited to providing the coverage set forth in the SONYMA Insurance.

Collection of SONYMA Mortgage Insurance Benefits.

A. For SONYMA-Insured Mortgage Loans financed by the proceeds of the 1995 Series A Bonds. The Corporation has covenanted not to take any action that would conflict with the requirements or procedures of SONYMA so as to jeopardize the SONYMA Insurance on the SONYMA Mortgage Loans. In the event of a default under a SONYMA Mortgage Loan, the Corporation has covenanted to undertake to assign such SONYMA Mortgage Loan to SONYMA in a timely fashion so as to avoid any loss or diminution of benefits receivable as SONYMA Insurance and to make claims for SONYMA Insurance benefits in cash.

In the event a payment due with respect to a SONYMA Mortgage Loan is in default for 60 days, the Corporation is required to notify SONYMA of the default and thereby trigger the Corporation's right to assign said Mortgage to SONYMA if the default is not cured within the following 60 days. If the default is not fully cured within 120 days, the Corporation is required to exercise its right to assign said Mortgage to SONYMA. Subject to the terms and conditions of the SONYMA commitment to insure each SONYMA Mortgage Loan and the policy issued in connection therewith, SONYMA has agreed that, within ten (10) days after assignment of a Mortgage by the Corporation to SONYMA, it shall pay the

Corporation an amount at least equal to the full unpaid principal balance of the SONYMA Mortgage Loan and all accrued interest on such Mortgage Loan.

The SONYMA Insurance with respect to a SONYMA Mortgage Loan may terminate pursuant to its terms upon the occurrence of certain events including the nonpayment of renewal premium, the modification of a SONYMA Mortgage without the prior written approval of SONYMA, and the disposal of property or collateral securing a SONYMA Mortgage Loan prior to the final settlement of a claim for loss.

B. For SONYMA-Insured Mortgage Loans other than the Mortgage Loans financed by the proceeds of the 1995 Series A Bonds. It is expected that the SONYMA-insured Mortgage Loans other than the Mortgage Loans financed by the 1995 Series A Bonds will be or have been insured by SONYMA upon compliance with certain conditions contained in their respective SONYMA insurance commitments. As of the date of this Official Statement, any Mortgage Loans insured by SONYMA have been insured for 100% of the outstanding principal balance thereof. In the future, however, the Corporation may seek partial insurance from SONYMA with respect to certain Mortgage Loans. The following description relates only to Mortgage Loans (other than Mortgage Loans financed by the proceeds of the 1995 Series A Bonds) which are insured for 100% of the outstanding principal balance thereof.

Pursuant to the SONYMA Insurance with respect to each of the SONYMA-insured Mortgage Loans other than the Mortgage Loans financed by the 1995 Series A Bonds, following certain defaults under the respective Mortgage securing such Mortgage Loans, the Corporation shall file a claim for loss with SONYMA. Thereupon, SONYMA has the option to either (i) make periodic payments of its obligation under the SONYMA Insurance in amounts equal to the scheduled principal and interest payments due with respect to such Mortgage Loan plus certain other amounts expended by the Corporation (for which the Corporation has not been reimbursed) or (ii) make a lump sum payment under the SONYMA Insurance in an amount equal to the sum of the principal outstanding and interest accrued on such Mortgage Loan from the date of such claim for loss to the date of payment in respect of such claim for loss and certain other amounts expended by the Corporation (for which the Corporation has not been reimbursed). Periodic payments are to be made monthly. In addition, if SONYMA has chosen initially to make periodic payments it may nevertheless exercise its option to make a lump sum payment in the full amount of its then outstanding obligation under the SONYMA Insurance at any time while SONYMA is making periodic payments. Upon a lump sum payment by SONYMA, the Corporation shall assign such Mortgage to SONYMA. The SONYMA Insurance with respect to such Mortgage Loan may terminate pursuant to its terms upon the occurrence of certain events including the nonpayment of renewal premium. For specific information on the coverage provided by the SONYMA Insurance with respect to such Mortgage Loan, reference should be made to the policy related to such SONYMA Insurance which is available for inspection at the office of the Corporation.

The Corporation has covenanted not to take any action to conflict with SONYMA regulations so as to jeopardize the SONYMA Insurance. In addition, in the event of a default under any of the SONYMA-insured Mortgage Loans other than the Mortgage Loans financed by the 1995 Series A Bonds, the Corporation has covenanted to undertake to assign such Mortgage Loan to SONYMA or take such other actions in timely fashion so as to avoid any loss or diminution of benefits receivable as SONYMA Insurance.

GNMA Mortgage-Backed Securities Program

GNMA Securities are “fully-modified, pass-through” securities which require the Mortgage Banker that issued such GNMA Securities or its assignee (i) to make monthly payments of principal and interest on the aggregate principal balance thereof to the holder of the GNMA Securities, whether or not the Mortgage Banker receives payments on the mortgage loans backing the GNMA Securities from the mortgagor, and (ii) to pass through any prepayments of principal and premiums on the mortgage loans received by the Mortgage Banker. GNMA Securities are guaranteed as to full and timely payment of principal and interest by GNMA, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office in Washington, D.C.

GNMA Guaranty. GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of and interest on securities which are based on and backed by, among other things, an FHA insured mortgage loan under the National Housing Act. Section 306(g) of the National Housing Act provides further that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 12, 1969, of an Assistant Attorney General of the United States, states that under Section 306(g) of the National Housing Act, such guarantees of mortgage-backed securities (of the type to be delivered to the Trustee on behalf of the Corporation) are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

GNMA guarantees the timely payment of the principal of and interest on the GNMA Security by the Mortgage Banker. Interest and principal payments on the underlying mortgage loans received by the Mortgage Banker from the mortgagor are the primary source of monies for payments on the GNMA Securities. If such payments are less than what is due under the GNMA Security, the Mortgage Banker is obligated to advance its own funds to insure timely payment of all amounts coming due on the GNMA Security. GNMA guarantees such timely payment to the holder of the GNMA Securities by the Mortgage Banker whether or not made by a mortgagor. If such payments are not received as scheduled, the holder of the GNMA Securities has recourse directly to GNMA. The GNMA Securities do not constitute a liability of, nor evidence any recourse against, the Mortgage Banker as the issuer of the GNMA Securities, but recourse thereon is solely against GNMA.

In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury in an amount outstanding at any time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on a GNMA Security. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty. GNMA further warrants to the holder of each GNMA Security, that, in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on a GNMA Security, it will, if necessary, in accordance with Section 306(d) of the National Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

Under the GNMA Mortgage-Backed Securities Program, the Mortgage Banker is obligated to execute a Guaranty Agreement which provides that, in the event of a default by the Mortgage Banker, including (i) a request to GNMA to make a payment of principal or interest on a GNMA Security, (ii) the insolvency of the Mortgage Banker, or (iii) a default by the Mortgage Banker under any other Guaranty Agreement with GNMA, GNMA shall have the right to extinguish the Mortgage Banker's interest in the mortgage loans that back GNMA Securities, which then shall become the absolute property of GNMA, subject only to the unsatisfied rights of the owners of the GNMA Securities. In such event, the GNMA Guaranty Agreement provides that GNMA shall be the successor in all respects to the Mortgage Banker in its capacity under the GNMA Guaranty Agreement and shall be subject to all responsibilities, duties and liabilities (except the Mortgage Banker's Indemnification of GNMA) of the Mortgage Banker pursuant to the GNMA Guaranty Agreement. GNMA may contract for another eligible issuer of GNMA Securities to undertake and agree to assume any part or all of such responsibilities, duties or liabilities of the Mortgage Banker, as long as no such agreement detracts from or diminishes the responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the GNMA Security or otherwise adversely affects the rights of the owners of the GNMA Securities.

Payment of Principal and Interest on the GNMA Securities. GNMA Securities provide that accrued interest for thirty (30) days is payable by the Mortgage Banker to the holder of the GNMA Securities on the fifteenth (15th) of each successive month thereafter until maturity of the GNMA Security. The GNMA Securities are payable in equal monthly installments, subject to prepayment. The aggregate amount of principal due on the GNMA Securities is in an amount equal to the scheduled principal amortization currently due on the underlying mortgage note.

Each of the monthly installments is subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the mortgage note. In any event, the Mortgage Banker is obligated to pay to the holder of the GNMA Securities, monthly installments of not less than the interest due on the GNMA Securities at the rate specified in the GNMA Securities, together with any scheduled installments of principal whether or not collected from the mortgagor, and any prepayments or early recoveries of principal (including insurance proceeds and condemnation awards that are applied to principal and FHA insurance benefits) and prepayment premiums paid under the Mortgage Note. Final payment shall be made upon surrender of each outstanding GNMA Security. Any such prepayment could result in the redemption of Bonds at any time.

In the event that a mortgagor defaults under an FHA insured mortgage loan that backs a GNMA Security, the Mortgage Banker may elect to file a claim for FHA Insurance benefits. See "The FHA Insurance Program" above.

Under the GNMA Mortgage-Backed Securities Program, the Mortgage Banker is required to service and otherwise administer the mortgage loans in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer Guide. The monthly remuneration of the Mortgage Banker, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of GNMA Securities outstanding. Repayment of principal on such GNMA Securities will be based on repayment of the respective mortgage note which, because of the minimum 0.25% higher interest rate on the note will occur more slowly than would repayment by equal installments of principal and interest at the interest rate on the GNMA Securities.

The Participation Loan Program

The Participation Loan Program (“PLP”) was established in 1977 pursuant to Article XV of the Private Housing Finance Law of the State of New York. PLP is designed to increase accessibility to mortgage capital for the rehabilitation of privately owned multi-family housing in the City. The Department of Housing Preservation and Development (“HPD”) administers PLP which provides mortgage financing for the rehabilitation of such housing at nominal interest rates.

HPD may only make a loan pursuant to PLP if another bona fide lender, such as the Corporation, also lends a portion of the funds necessary to complete the rehabilitation of the project. HPD’s PLP loans are typically secured by subordinate mortgages. Currently, the Corporation holds certain first position Mortgage Loans (some of which benefit from supplemental security) assisted under PLP and also holds subordinate Mortgage Loans originally funded under PLP which loans were acquired from HPD upon the issuance of the 2002 Series D Bonds.

In addition, federal HOME funds available under the Housing and Community Development Act of 1992 are administered by HPD which provides mortgage financing for the rehabilitation and certain new construction of privately owned multi-family housing in the City at nominal interest rates. HPD may make such a loan if non-federal matching funds are available.

New Housing Opportunities Program

The New Housing Opportunities Program (“New HOP”) was established in 1997 by the Corporation to encourage the development of affordable low, moderate and middle income housing in New York City which would not otherwise be produced by the ordinary operations of private enterprise. Pursuant to New HOP, the Corporation will provide subordinate financing in conjunction with first construction and permanent mortgage loans. The first mortgage loans under New HOP have been or are expected to be made with the proceeds of bonds issued by the Corporation. Each development financed under New HOP will be subject to a regulatory agreement restricting the rents to levels affordable to low, moderate and middle income households.

For each New HOP construction mortgage loan made with bond proceeds, the Corporation will require the developer to post a bank letter of credit, guarantee or other security equal to the face amount of such loan plus a specified interest reserve amount. The letter of credit may be drawn upon by the Corporation if the developer fails to make scheduled payments of interest and principal on the construction mortgage loan. Any amounts received by the Corporation under the letter of credit are pledged to the holders of bonds issued under the General Resolution. Following the completion of construction and the fulfillment of certain other conditions, the Corporation will release the letter of credit. In certain cases, the Corporation will finance a permanent first mortgage loan only. Although it is expected that most New HOP permanent mortgage loans will not be initially secured by supplemental security, the Corporation may, in the future, seek mortgage insurance from SONYMA or REMIC for all or a portion of the principal balance of such mortgage loans.

Low-Income Affordable Marketplace Program

The Low-income Affordable Marketplace Program (“LAMP”) finances the creation of predominately low-income housing using tax-exempt bonds and as of right 4% tax credits with 10 to 30% of project reserved for formerly homeless households. Formerly known as 100% LITE, LAMP now allows the direct infusion of subsidy from the Corporation’s reserves up to \$55,000 per unit. The funds are advanced during construction and remain in the project through the term of the permanent mortgage loan. During construction, the funds bear interest at 1%. While in the permanent phase, the funds must at least bear interest at 1%, but may provide for amortization, depending on the particular project.

LAMP may be combined with other Corporation programs and/or other subsidy programs, including HTF and the Certificate Program. LAMP may also be used to finance mixed-income projects, where a minimum of seventy percent (70%) of the units are affordable to those earning less than sixty percent (60%) of the area median income.

General Municipal Law Article 16

Article 16 of the General Municipal Law, Section 690 et. seq. authorizes certain municipalities in the State, including the City, to make grants or loans (i) to the owner of any property that is part of an urban development action area project (as defined in such law) for the purpose of rehabilitation of an existing private or multiple dwelling, (ii) for the purpose of providing site improvements, or (iii) for the purpose of providing for other costs of construction for the development of private and multiple dwelling housing accommodations. Any loan made in accordance with this section shall be secured by a note and mortgage. In the case of a loan for the purpose of providing rental housing for persons of low income, the rental development must be subject to a regulatory agreement limiting profits and rentals charged.

With regard to the Mortgage Loans financed or expected to be financed by the Corporation which are subsidized through General Municipal Law, Article 16, the initial feasibility of these Developments was determined by the Corporation, HPD and a conventional construction lender. HPD’s General Municipal Law, Article 16 permanent loan is subordinate to the Corporation’s Mortgage Loan and both loans are uninsured and not secured by supplemental security. In the event of a default on the Corporation’s Mortgage Loan, any proceeds resulting from a foreclosure which might result from such default would be applied to satisfy the Corporation’s Mortgage Loan prior to HPD’s General Municipal Law, Article 16 loan.

The Housing Development Grant Program

Pursuant to the Housing Development Grant (“HoDAG”) Program, which was authorized by Section 17 of the 1937 Housing Act, HUD made grants to localities for rental housing projects within such localities’ respective jurisdictions. HPD received such a grant for certain of the Developments and utilized the funds provided by HUD to make a second unsecured mortgage loan. During the term of the HoDAG second uninsured mortgage loan made to the Mortgagor by HPD, the Mortgagor is required to comply with certain HoDAG Program requirements, including restrictions relative to the occupancy of certain units by low income tenants. If HoDAG Program requirements are not adhered to by the Mortgagor of the Development which received the HoDAG funds, the Mortgagor is required to repay HPD the amount of HoDAG grant funds, subject to certain adjustments. HUD may require the City to refund the grant monies. While no payments are due on this second position permanent loan during the

term of the applicable Mortgage Loan, upon a violation of the HoDAG Program requirements by the Mortgagor, the City may then proceed to enforce its right to collect such grant monies from the Mortgagor.

New York State Housing Trust Fund Corporation

The New York State Housing Trust Fund Corporation (“HTF”), a public benefit corporation which operates under the aegis of the Division of Housing and Community Renewal (“DHCR”), has two initiatives involving tax exempt bond financing: the Homes For Working Families Initiative (“HWFI”) and the Senior Housing Initiative (“SHI”). Under both programs, HTF assistance of up to \$35,000 per unit will be provided in the form of low or deferred interest mortgages for affordable housing projects.

Through HWFI, DHCR provides subordinate permanent financing at an interest rate of 1% to private developers for the new construction or substantial rehabilitation of affordable rental housing projects. Under HWFI, 100% of the units must be affordable to households earning less than 60% of area median income. At least 50% of project cost must be financed by tax-exempt bonds issued under Section 142 of the Internal Revenue Code in order to enable the projects to qualify for federal low-income housing tax credits.

Pursuant to SHI, DHCR provides subordinate permanent financing at an interest rate of 0% to 1% to not-for-profit developers for the new construction or substantial rehabilitation of affordable rental housing for the elderly. Under SHI, occupancy is limited to seniors, defined as households headed by a person 60 years of age or older. Approximately 20% of the units in a project assisted through the SHI must be affordable to households earning less than 50% of area median income.

The Housing Assistance Corporation

The Housing Assistance Corporation (“HAC”) is a public benefit corporation of the State established pursuant to Section 654-b of the Act as a subsidiary of the Corporation. HAC is to continue in existence until terminated by law; provided, however, that no such termination shall take effect as long as its obligations remain outstanding. The payments and funds of HAC are not considered to be assets of the Corporation and are not pledged under the Resolutions.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development (and may enter into agreements for such purposes with mortgagors of rental developments) or assist the Corporation in financing such developments.

HAC has entered into a Tenant Assistance Contract (“TAC”) with the Mortgagors of three (3) Developments to provide monthly rental assistance payments. To be eligible for the TAC payments the Mortgagor must ensure that (i) 20% of the Development’s rental units are available for households whose annual income at initial occupancy does not exceed 80% of New York City median income (“Median Income”) as adjusted for family size (“Low Income Families”), and (ii) 80% of the rental units are

available for households whose annual income at initial occupancy does not exceed 180% of Median Income.

In the event a Mortgagor is in default under a TAC, HAC may take legal action against such Mortgagor or suspend payments for any unit not in compliance with the terms of the TAC. In the event that at least 10% of the units are not leased to Low Income Families, HAC may terminate the TAC. See “Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program” for the date of expiration of the TACs.

The §421-a Negotiable Certificate Program

HPD’s §421-a Negotiable Certificate Program (the “Certificate Program”) is designed to link the creation of market rate multi-family housing in certain areas of Manhattan south of 96th Street (the “Geographic Exclusion Zone”) with the development of low income housing in other areas of New York City. In general, newly constructed multi-family housing in the Geographic Exclusion Zone is not eligible to receive any real estate tax exemption unless the developer of such housing either (i) sets aside at least 20% of the units in such projects for low income households or (ii) purchases §421-a Negotiable Certificates from other developers who have constructed or rehabilitated low income housing in other areas of the City (“off-site projects” or “off-site units”) pursuant to the rules and regulations of the Certificate Program. Authorized by §421-a of the New York Real Property Tax Law, the Certificate Program generally permits HPD to grant five §421-a Negotiable Certificates for each off-site low income unit created under the Certificate Program. In turn, each §421-a Negotiable Certificate allows the developer of a market rate unit in the Geographic Exclusion Zone to receive a 10-year phased exemption from any increase in such market rate unit’s assessed value relating to the construction of such market rate unit. The 10-year phased real estate tax exemption increases the value of the market rate Geographical Exclusion Zone unit. Therefore, the developer of the market rate unit will pay the developer of the off-site unit to be able to receive and utilize the §421-a Negotiable Certificates that are generated by the off-site low income project.

Article 8-A Loan Program

The Article 8-A Loan Program (“Article 8-A”) was established in 1970 pursuant to the Private Housing Finance Law of the State of New York. Article 8-A is available to owners of privately owned multi-family housing developments if: (i) each dwelling unit in such development is available at rents affordable to low income persons or families and (ii) such owner is unable to obtain financing from the private sector. Article 8-A loan proceeds may be used to eliminate any substandard or unsanitary condition at a development, or for replacement or rehabilitation of systems at a development or other improvements necessary to prolong the useful life of a development.

HPD administers Article 8-A which provides mortgage financing for the rehabilitation of such housing at below-market interest rates. Article 8-A loans are typically secured by subordinate mortgages.

The Mitchell-Lama Program

General. The Mitchell-Lama program was created to facilitate the construction and continued operation of affordable moderate and middle income rental and cooperative housing in the State of New York. The Developments which are regulated under the Mitchell-Lama program are all non-refinanced rental housing projects located in the City of New York and therefore, this summary of the Mitchell-Lama program is limited to non-refinanced rental projects. Each rental project in the Mitchell-Lama program was constructed and is operated as a limited-profit housing project or a cooperative in accordance with Article 2 of the New York Private Housing Finance Law and the rules and regulations promulgated thereunder (the “Mitchell-Lama Law”).

HPD Supervision. HPD has supervisory authority over those projects in the Mitchell-Lama program which received financing from the City or the Corporation. HPD carries out all its supervisory functions with limited resources, which may affect the priority or completion time frames for its various supervisory activities.

HPD regulates the project’s rental procedures and tenant income limits. HPD oversees the renting of vacant units including the establishment of waiting lists and the advertising process relating thereto. HPD approves the admission of new tenants as well as the transfer of existing tenants to other units in a project. HPD also verifies initial and annual tenant income certifications submitted by tenants to ensure that the tenant income requirements of the Mitchell-Lama program are maintained. Tenants with incomes in excess of the certain income requirements are required to pay rent surcharges to the project owners.

HPD conducts a periodic physical inspection of the common areas of the projects in the Mitchell-Lama program in order to assess property maintenance levels. HPD has power to audit the books of a project owner and conducts a periodic site administrative review to review service contracts, insurance coverage and the project’s record keeping systems. HPD also reviews all commercial leases, contracts in excess of \$5,000 or \$10,000 depending on project size, monthly project operations reports, the use of blocked reserve accounts and the annual profit retained by the project owner.

HPD approves all rent increase applications after holding a public hearing and reviewing a financial analysis prepared by HPD and project owners, provided, however, such rental increases in projects benefitting from the Section 236 program are also subject to the approval of HUD. HPD has the right to remove any or all of the existing directors of an ownership entity and to appoint individuals that HPD deems advisable in the event of a violation of a provision of the owner’s certificate of incorporation, any applicable law, the loan or mortgage contract or HPD’s rules and regulations.

Corporation Rent Increase Authority. Other than with respect to the 2002 Series D Mortgage Loans regulated pursuant to the Mitchell-Lama Law, the Act empowers the Corporation and the Resolutions require the Corporation (whenever it shall find that the maximum rentals, which are charged tenants of the dwellings in any Project in the Mitchell-Lama program, in whole or in part, shall not be sufficient together with all other income of the Mortgagor to meet within reasonable limits all necessary payments to be made by the Mortgagor of all expenses, including fixed charges, sinking funds, reserves and dividends) to request the Mortgagor to make application to vary such rentals so as to secure sufficient income, and upon the Mortgagor’s failure to do so within thirty (30) days after the receipt of written request from the Corporation, to request HPD to take action upon HPD’s own motion so to vary such

rental rate, and upon failure of HPD either upon application by the Mortgagor or upon its own motion so to vary such rental rate within sixty (60) days after receipt of written request from the Corporation to do so, to vary such rental rate by action of the Corporation. Any such rental increases in Developments benefitting from the Section 236 program shall also be subject to the approval of HUD. The Corporation has only taken such actions relating to rental increases with respect to one (1) Development which was done in 1978.

Tax Exemption. The Mitchell-Lama Law provides that with the consent of the local legislative body, the real property, both land and improvements, of a project shall be exempt from local and municipal taxes, other than assessments for local improvements, to the extent of all or part of the value of the property included in such project which represents an increase over the assessed valuation of such real property at the time of its acquisition for the project by the company, provided however, that the real property in a project acquired for purposes of rehabilitation shall be exempt to the extent of all or part of the value of the property included in such rehabilitation and provided further that the minimum tax to be paid shall not be less than ten per centum (10%) of the annual shelter rent of such project. This tax exemption continues so long as the mortgage loan made to the owner remains outstanding. In the case of any Project in the Mitchell-Lama program which is the subject of a ground lease, such tax exemption is reflected in the underlying lease payments. Pursuant to the Act, the property of the Corporation is exempt from State and local taxes. In the event the Corporation shall become the owner of a Development, it would be exempt from the payment of real estate taxes.

PROPOSED FORMS OF BOND COUNSEL OPINIONS

Upon delivery of the 2003 Series B Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinions in substantially the following forms:

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
110 William Street
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$9,525,000 Multi-Family Housing Revenue Bonds, 2003 Series B-1 (the “2003 Series B-1 Bonds”) and \$33,175,000 Multi-Family Housing Revenue Bonds, 2003 Series B-2 (the “2003 Series B-2 Bonds”; the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds being collectively referred to as the “2003 Series B Bonds”) of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation, organized and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2003 Series B Bonds are authorized to be issued pursuant to the Act, the Multi-Family Housing Revenue Bonds Bond Resolution of the Corporation, adopted July 27, 1993, as amended (the “General Resolution”), and, with respect to the 2003 Series B-1 Bonds, the Thirty-Second Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series B-1 of the Corporation, adopted June 3, 2003, and, with respect to the 2003 Series B-2 Bonds, the Thirty-Third Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series B-2 of the Corporation, adopted June 3, 2003 (collectively, the “Supplemental Resolutions”; the General Resolution and the Supplemental Resolutions being collectively referred to as the “Resolutions”). The 2003 Series B Bonds are being issued for the purpose of financing the 2003 Series B Mortgage Loans (as defined in the Resolutions).

The 2003 Series B Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions.

We have not examined nor are we passing upon matters relating to the real and personal property referred to in the mortgages which are to secure the 2003 Series B Bonds.

Upon the basis of the foregoing, we are of the opinion that:

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the 2003 Series B Mortgage Loans, to provide sufficient funds therefor by the adoption of the Resolutions and the

issuance and sale of the 2003 Series B Bonds, and to perform its obligations under the terms and conditions of the Resolutions, as covenanted in the Resolutions.

2. The Resolutions have been duly adopted by the Corporation, are in full force and effect, and are valid and binding upon the Corporation and enforceable in accordance with their terms.

3. The 2003 Series B Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolutions and the laws of the State of New York (the “State”), including the Act.

4. The 2003 Series B Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or monies pledged for the payment thereof pursuant to the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolutions.

5. The 2003 Series B Bonds are secured by a pledge in the manner and to the extent set forth in the Resolutions. The Resolutions create the valid pledge of and lien on the Revenues (as defined in the Resolutions) and all the Accounts established by the Resolutions and monies and securities therein, which the Resolutions purport to create, subject only to the provisions of the Resolutions permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolutions.

6. The 2003 Series B Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2003 Series B Bonds be payable out of any funds other than those of the Corporation pledged for the payment thereof.

7. Under existing statutes and court decisions, (i) interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2003 Series B-1 Bond or 2003 Series B-2 Bond for any period during which such 2003 Series B-1 Bond or 2003 Series B-2 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds or a “related person,” and (ii) interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagors of the 2003 Series B Mortgage Loans and others, in connection with the issuance of the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, and we have assumed compliance by the Corporation and such Mortgagors of the 2003 Series B Mortgage Loans with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other federal or state tax consequences with respect to the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds. We render this opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update this opinion after the date hereof to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion

of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, or under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Series B Bonds and the Resolutions may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2003 Series B-1 Bond and an executed 2003 Series B-2 Bond, and in our opinion the forms of such Bonds and their execution are regular and proper.

Very truly yours,

Upon delivery of the 2003 Series C Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
110 William Street
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$4,900,000 Multi-Family Housing Revenue Bonds, 2003 Series C (the “2003 Series C Bonds”) of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation, organized and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2003 Series C Bonds are authorized to be issued pursuant to the Act, the Multi-Family Housing Revenue Bonds Bond Resolution of the Corporation, adopted July 27, 1993, as amended (the “General Resolution”), and the Thirty-Fourth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series C of the Corporation, adopted June 3, 2003 (the “Supplemental Resolution”; the General Resolution and the Supplemental Resolution being collectively referred to as the “Resolutions”). The 2003 Series C Bonds are being issued for the purpose of refunding certain of the Corporation’s outstanding bonds (the “Prior Bonds”).

The 2003 Series C Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions.

We have not examined nor are we passing upon matters relating to the real and personal property referred to in the mortgages which are to secure the 2003 Series C Bonds.

Upon the basis of the foregoing, we are of the opinion that:

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to refund the Prior Bonds, to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of the 2003 Series C Bonds, and to perform its obligations under the terms and conditions of the Resolutions, as covenanted in the Resolutions.

2. The Resolutions have been duly adopted by the Corporation, are in full force and effect, and are valid and binding upon the Corporation and enforceable in accordance with their terms.

3. The 2003 Series C Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolutions and the laws of the State of New York (the “State”), including the Act.

4. The 2003 Series C Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or monies pledged for the payment thereof pursuant to the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolutions.

5. The 2003 Series C Bonds are secured by a pledge in the manner and to the extent set forth in the Resolutions. The Resolutions create the valid pledge of and lien on the Revenues (as defined in the Resolutions) and all the Accounts established by the Resolutions and monies and securities therein, which the Resolutions purport to create, subject only to the provisions of the Resolutions permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolutions.

6. The 2003 Series C Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2003 Series C Bonds be payable out of any funds other than those of the Corporation pledged for the payment thereof.

7. Under existing statutes and court decisions, (i) interest on the 2003 Series C Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2003 Series C Bond for any period during which such 2003 Series C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2003 Series C Bonds or a "related person," and (ii) interest on the 2003 Series C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor of the 2003 Series C Mortgage Loan (as such terms are defined in the Resolutions) and others, in connection with the issuance of the 2003 Series C Bonds, and we have assumed compliance by the Corporation and said Mortgagor of the 2003 Series C Mortgage Loan with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2003 Series C Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2003 Series C Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other federal or state tax consequences with respect to the 2003 Series C Bonds. We render this opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update this opinion after the date hereof to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2003 Series C Bonds, or under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Series C Bonds and the Resolutions may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2003 Series C Bond, and in our opinion the form of such Bond and its execution are regular and proper.

Very truly yours,

Upon delivery of the 2003 Series D Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
110 William Street
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$64,100,000 Multi-Family Housing Revenue Bonds, 2003 Series D (the “2003 Series D Bonds”) of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation, organized and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2003 Series D Bonds are authorized to be issued pursuant to the Act, the Multi-Family Housing Revenue Bonds Bond Resolution of the Corporation, adopted July 27, 1993, as amended (the “General Resolution”), and the Thirty-Fifth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 2003 Series D of the Corporation, adopted June 3, 2003 (the “Supplemental Resolution”; the General Resolution and the Supplemental Resolution being collectively referred to as the “Resolutions”). The 2003 Series D Bonds are being issued for the purpose of financing the Mortgage Loans (as defined in the Resolutions) for multi-family housing developments.

The 2003 Series D Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions.

We have not examined nor are we passing upon matters relating to the real and personal property referred to in the mortgages which are to secure the 2003 Series D Bonds.

Upon the basis of the foregoing, we are of the opinion that:

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the Mortgage Loans for multi-family housing developments, to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of the 2003 Series D Bonds, and to perform its obligations under the terms and conditions of the Resolutions, as covenanted in the Resolutions.

2. The Resolutions have been duly adopted by the Corporation, are in full force and effect, and are valid and binding upon the Corporation and enforceable in accordance with their terms.

3. The 2003 Series D Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolutions and the laws of the State of New York (the “State”), including the Act.

4. The 2003 Series D Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or monies pledged for the payment thereof pursuant to the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolutions.

5. The 2003 Series D Bonds are secured by a pledge in the manner and to the extent set forth in the Resolutions. The Resolutions create the valid pledge of and lien on the Revenues (as defined in the Resolutions) and all the Accounts established by the Resolutions and monies and securities therein, which the Resolutions purport to create, subject only to the provisions of the Resolutions permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolutions.

6. The 2003 Series D Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2003 Series D Bonds be payable out of any funds other than those of the Corporation pledged for the payment thereof.

7. Interest on the 2003 Series D Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. Under existing statutes, interest on the 2003 Series D Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Series D Bonds and the Resolutions may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2003 Series D Bond, and in our opinion the form of such Bond and its execution are regular and proper.

Very truly yours,